

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF



THE INCORPORATED ACCOUNTANTS' JOURNAL is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and Auditors, 50, Gresham Street, Bank, London, E.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Contents.	PAGE
Professional Notes	21
Incorporated Accountants' Conference at Cardiff:—	
Article on	24
Report of Proceedings	28
Presidential Address	29
Dinner at the City Hall	39
Papers read	32, 42
Cost and Market Prices (Article)	25
Yorkshire Incorporated Accountants and Sir Charles Wilson	26
Correspondence:—	
Capital or Revenue	28
Income Tax and Succession	28
The Society of Incorporated Accountants and Auditors:—	
Membership	50
Chartered Accountants' Autumnal Meeting	51
Remuneration under Deed of Inspectorship	53
Action for Accountants' Charges	54
Changes and Removals	54
Professional Appointment	54
District Societies of Incorporated Accountants	55
Scottish Notes	57
Legal Notes	57

Professional Notes.

THE honour paid through the complimentary dinner given by the Yorkshire District Society of Incorporated Accountants to their President, Sir Charles Wilson, will be heartily endorsed by the members of the Society generally. The Chairman at the dinner, Mr. Frederick Holliday, F.S.A.A., laid stress, as was natural, upon the services which Sir Charles Wilson had rendered to the city of Leeds and which have brought him recognition from the King, the Citizens and the University. Sir Charles in reply said that these honours might be an indication that he was approaching the time when his work was finished, but happily he felt fit for more years of the work which he loved. The Labour Lord Mayor of the City also bore generous

testimony to the services of Sir Charles Wilson, as did the President of the Society of Incorporated Accountants and Auditors, Mr. G. S. Pitt, who was present with other well known members of the Institute and Society, and distinguished representatives of the municipal, commercial and professional life of Leeds.

We are pleased to note the excellent form of the lecture syllabus of the Yorkshire District Society of Incorporated Accountants. It commences with a full list of the lectures, and bound up with this on sheets of a suitable size a separate page is set apart for notes of each lecture, the title and date of which are given on the top. The member or student is thus able to keep in front of him a summary of the proceedings of the session, together with his own notes thereon. Organisation of this character is invaluable.

On Wednesday, October 24th, at the Carpenters Hall, Lord Askwith addressed the Incorporated Accountants' Students' Society of London on "Accountants and Strikes." There was a very large attendance presided over by Sir James Martin. Lord Askwith first spoke of the education and qualifications of an accountant, remarking upon the value of a general education on which to base theoretical and practical study of accountancy, none of these qualities by itself being sufficient. He then showed the great speed with which the requirements for good accountancy had spread, largely owing to the lessons of the war. Costing had become an absolute necessity. It was the basis of the wage fluctuations and of the amount available for wages in almost every industry. The coal industry was entirely based upon it. It was a vital matter in the pottery and building industries. Data were continuously being sought in almost all industries, and with the narrow margins of profit, the depression in trade and the high cost of living, such data were increasingly necessary. Further, the employees more and more wanted to know reasons for charges, and without data such reasons could not be supplied.

Lord Askwith said many strikes could have been avoided or mitigated by adequate accountancy. Now there was a great change. Employers were not so jealous of supposed disclosure. Trade unions had themselves to examine their own costs of management. Unemployment insurance and sick benefits demanded good accountancy. If insurance by industries against unemployment, that bugbear and ever-present fear of the majority of working men, came into practice, accountancy would be a Court of Appeal. Great fields indeed had opened and were opening, but accountants must be fit to work them—persons of knowledge of figures and of men, and of scientific outlook. Very silly suggestions were often made through ignorance or narrow judgment. Accountancy was a great profession. It should endeavour to rise to the occasion, and in the hands of many of those present lay the hope of the future.

At the banquet of the London Chamber of Commerce to meet the representatives of the Dominions, India and the Crown Colonies attending the Imperial Economic Conference held at the Mansion House on October 3rd, Sir James Martin proposed the toast of "Imperial Communications," which was responded to by the Hon. G. P. Graham, Canadian Minister of Railways and Canals. The President of the Society of Incorporated Accountants and Auditors, Mr. George Stanhope Pitt, had to decline an invitation to be present owing to the opening of the Society's Conference at Cardiff, but he was present on October 24th when a banquet was given to the Dominion Prime Ministers and other representatives by the Association of British Chambers of Commerce.

The Court of Appeal has reversed the decision of Mr. Justice Astbury, referred to in a leading article in our issue of July last. The question at issue was whether the trustees of the Shrewsbury and Talbot Estates were entitled to deduct income tax from an annuity payable to the Dowager Countess of Shrewsbury by virtue of the provisions of a special Act relating to those estates, which Act was passed in the year 1843 and provided that the annuity should be paid "clear of all deductions whatever for taxes or otherwise." Mr. Justice Astbury decided that the trustees were correct in deducting income tax, but it has now been held that the annuity should have been paid without such deduction. The ground for this decision appears to be that the Shrewsbury Estates Act was passed after the Income Tax Act, 1842, and therefore over-ruled any general provision contained in that Act. The Master of the Rolls, in giving judgment, said he could not see how sect. 7 of the Shrewsbury Estates Act could be rendered invalid by a section of an Act passed in the previous year, or that sects. 9 and 10 of the former Act imposed any limitation on the meaning of sect. 7. The claim to be exempted also from super tax was dropped at the appeal stage, the reason for this being that super tax was not in existence when the Shrewsbury Estates Act was passed.

The Council of the Associated Stock Exchanges at their annual meeting held last month passed the following resolution:—"That, for the convenience of shareholders in making up their income tax returns, the administration be requested to approach companies which are in the habit of paying their dividends free of tax, with a view to induce them to print on the back of the warrants (a) the gross amount; (b) the amount of income tax and the rate; and (c) the net amount in respect of, say, one, ten and 100 shares." Should this course be adopted it will be a distinct advantage to shareholders. At the present time they have to work out the amount of the tax to be added back in order to make the dividend gross, and in cases where the rate of tax has varied in the period during which the profits were earned it is not always easy to arrive at the correct figure.

The importance of keeping books was illustrated very pointedly in a case which came before the

Westminster County Court the other day. The judgment debtor was a bookmaker who said that he could not pay more than £2 a month, and the following conversation took place between him and the Judge:—His Honour: I suppose you have a reputation as a bookmaker and make some money? Defendant said he made a little profit. His Honour: Go away and bring your books, so that we can know something about it. Defendant: Oh, well, I will pay £3 a month. His Honour: Very good. I make that order. There is nothing like asking to look at a person's books.

The depreciation of the German mark has reached such a pitch that it has almost ceased to be a measure of value at all, and various expedients are being resorted to in order to utilise it as an effective currency. For instance, the German banks and business houses have adopted a new method of book-keeping whereby for convenience the last six noughts of all amounts will not be recorded in the books, thus entirely ignoring the millions. The fluctuations in the value of the mark are now so frequent and so wide that restaurants and hotels are unable to keep pace with them, and their menus and wine lists are no longer priced in millions of marks. Instead, the various items are priced in gold marks and at the foot of the list there is a figure called the "depreciation factor" or "multiplier" by which the gold mark is multiplied. This is a convenient way of coping with the rapid depreciation and enabling the paper currency to be utilised at the ruling rate.

The value of cheques with receipt forms attached was challenged by Mr. C. L. Nordon in a paper on "Modern Commercial Documents" read by him at the provincial meeting of the Law Society last month. Mr. Nordon describes the receipt form on a cheque as an objectionable practice, the special advantage of which he has never been able to determine although it puts the payee to the expense of paying twopence for every such cheque he receives. He points out that a receipt on a cheque cannot operate as a receipt in the ordinary sense as there is no account written on the cheque itself to be discharged. He says, on the other hand, that a simple endorsement is quite sufficient evidence of payment to prevent a recipient claiming the same sum twice, and that the fact of the drawer making it a condition that the cheque is only to be paid with a 2d. stamp affixed and cancelled might in certain cases prevent the cheque being an "unconditional order in writing." Another drawback, he says, is that this practice would impede the negotiability of the cheque.

To take the last point first, we think that from the point of view of the drawer the non-negotiability would be an advantage rather than otherwise. The question as to whether the condition attached by the drawee having to affix a stamp would make the cheque cease to be an "unconditional order in writing" and thus deprive the bankers of the

protection given them by the Bills of Exchange Act, is one that can safely be left to the bankers themselves, and judging by the prevalence of cheques of this character no very serious objection has been raised by them. We think Mr. Nordon is not quite correct when he says that the payee is put to the expense of paying 2d. for each cheque. Instead of this he, in fact, saves 1½d. or at least ½d. in postage. If he gave a receipt in the ordinary way he would have to sign it over a 2d. stamp and he would then have to post the receipt in a letter and pay postage on it. In addition to the actual saving of money thus effected, the payee's office staff is saved the time and trouble of addressing envelopes and despatching receipts. The practice of using cheques with receipt forms has now been well tried, and, although it may not seem ideal from some points of view, we have not heard of draw-backs sufficiently serious to counteract the distinct advantages to the trading community in the saving of time and money which it effects.

Mr. Nordon's paper, which was published in the *Law Times* of October 6th, is nevertheless a very interesting one, and contains much useful information about the form and effect of commercial documents generally, and will well repay a careful perusal. He deals with such questions as the form and contents of commercial contracts, bills of lading, and marine policies.

From their very inception the Rent Restriction Acts have caused an immense amount of trouble and have, we imagine, proved a substantial source of employment to the legal profession. The new Rent Act has led to the formation of the Tenants' Protection Association, and the association points out that the Act renders it considerably easier for landlords to get possession of properties and offers them a great inducement to do so, inasmuch as it provides that, where a landlord secures an order for possession for any reason other than non-payment of rent, the house becomes de-controlled and he can then charge any rent he pleases. Under the previous Acts this inducement did not exist.

An important arbitration point was decided last month by Mr. Justice Greer in *Scrimaglio v. Thornett and Fehr*, in which a dispute arose as to contracts for the sale of tallow. Each of the contracts contained an arbitration clause as follows: "Any dispute arising out of this contract to be settled by arbitration in London in the usual way." The defendants appointed their arbitrator but the plaintiff failed to appoint his, and after due notice the sole arbitrator proceeded to act and made an award in favour of the defendants. The plaintiff sued originally for recovery of an overpayment, but the defendants now wished to enforce the award. The plaintiff refused to pay on the ground that the dispute "had not been referred to arbitration in London in the usual way." He said that a single arbitrator could not act without the concurrence of both parties and that he had not concurred

in the appointment of the defendants' nominee. Alternatively he pleaded that arbitration "in the usual way" meant in accordance with the conditions of the British Chemical Trade Association, and that the arbitrator was not appointed in accordance with those conditions. Judgment was given in favour of the defendants, upholding the arbitrator's award.

The third annual report of the Controller of the Clearing Office (Germany) discloses interesting particulars regarding the settlement of claims by British creditors. The Controller points out that the Treaty provides that all debts shall be paid in allied currency at the pre-war rate of exchange, and that the Governments concerned are required to clothe their respective clearing offices with all necessary powers to enforce this obligation. As a result the British trader who is indebted to a German national in the sum of a thousand marks is required to pay £50 in discharge of his indebtedness. The German Government, however, by its internal legislation has relieved its debtor nationals of this obligation and allowed them to pay in marks at the current rate of exchange, thus taking upon itself the loss on exchange.

As an instance, the Controller gives the following illustration:—

A British national before the war advanced Mks.1,000,000 to a German manufacturer which the latter employed in the erection and equipment of a factory. The value of this advance at the date it was made was £50,000. Under the German Clearing Office Law the debtor is discharged from his liability to his British creditor by the payment of the present equivalent of something less than ½d. He, however, retains possession of the factory and its equipment, the world value of which has not depreciated and to-day represents an investment of 1,000,000 gold marks.

Even this is not the limit of the indulgence granted by the German Government to its nationals, for in the case of those debtors whose debts were contracted in allied currency, the German Government permits them to discharge their liability by the payment of a sum in marks representing an infinitesimal fraction only of their contractual obligation. The plea of the German Government is that to impose upon debtors the obligation to valorise their debts would amount to a variation of the contract under which the debt was created. In this plea they ignore not only the provisions of the Treaty, but the fact that the goods supplied had a world value entirely irrespective of the fluctuation in the currency. Moreover, their contention has clearly no application whatever in the case of sterling obligations, which they treat in the same way.

Another reason given by the German Government for this breach of its Treaty obligation is that to have required its debtor nationals to valorise their debts would have driven them into bankruptcy. Apart from the fact that this would not have justified the breach, the Controller says it is a notorious fact that since the Armistice the German

industrial class, which comprises the majority of the principal debtors to British nationals, has made enormous profits from the inflation of currency, and employed in business the money so acquired.

The point that affects British traders is this: that the German Government, having voluntarily assumed the burden of valorisation (*i.e.*, exchange loss) imposed by the Treaty upon the individual debtors and relieved its sterling debtors of their contractual liability, proceeded to default in its engagements to the clearing offices, and has made no payment on account of the monthly balances beyond the instalment due in August, 1922, under the London agreement. The result of the default has been to throw upon the British clearing office funds an additional burden estimated at £13,000,000, representing the balance of debt claims, and to diminish the sum that would otherwise have been available for payment to British claimants. All attempts to get this state of affairs rectified have up to the present failed to produce any result, and the position now is that the clearing offices are relegated to their Treaty rights and are entitled to payment by the German Government of the monthly balances as and when they accrue due to them.

Incorporated Accountants' Conference at Cardiff.

WE record in this issue the proceedings at the Conference of Incorporated Accountants held at Cardiff on October 3rd-6th. Twenty-five years have elapsed since the first Autumnal Conference of Incorporated Accountants was held in Birmingham. Owing to the war no Conference took place after the year 1913 until 1921, when these meetings of the Society were resumed in Liverpool. The large and important gathering in London in 1922 is fresh in the recollection of all those who took part in it, and it was with pleasure that the members of the Society found themselves in Cardiff last month repeating, as the President pointed out, the visit of the Society of fifteen years ago under the Presidency of the late Mr. Harry Lloyd Price. Disappointment and regret were expressed by all who took part in the Conference at the illness of the Vice-President, Major G. A. Evans, who was to have acted as one of the hosts on the occasion.

The Presidential Address of Mr. George Stanhope Pitt reviewed, as these addresses usually do, the position of the profession and the progress of the Society in relation thereto. Mr. Pitt also made some reference to the present state of the trade, industry and finance of the country, and expressed strong support of the action of the Government in maintaining the financial standing and rectitude of the country beyond any question of doubt. We all

must agree with Mr. Pitt when he said that the steps which have been taken to meet our obligations during the last few years have not only been sound in principle but have been equally sound from a purely business point of view. The Society has always had its own special connection with the Dominions and the Colonies, and Mr. Pitt's plea for the development of the British Commonwealth by every means in our power—by finance, by emigration and by friendly legislation—did not fall on deaf ears when addressed to Incorporated Accountants.

Like recent Presidents of the Society, Mr. Pitt had something to say upon income tax matters, to which we have already devoted a good deal of attention in these columns. He again pointed out the importance of factory organisation, costing, and office organisation, and in conclusion he gave voice to general good wishes for the success of the Imperial Economic Conference, which is being attended by Mr. W. J. O'Brien, M.L.A., F.S.A.A., of Pietermaritzburg, who is one of the economic advisers to General Smuts, the Prime Minister of the Union of South Africa. It was a great pleasure to the members of the Society that Mr. O'Brien managed to find the necessary time to make the journey to Cardiff in order to attend the Society's dinner, where he made an interesting speech.

Mr. Pitt's address was followed by an able paper on "The Incidence and Relief of Local Rate Burdens," by Mr. John Allcock, F.S.A.A., City Treasurer and Controller of Cardiff. Mr. Allcock's address comprised suggestions relating to the rating law and assessment of property, the transfer of profits from trading undertakings owned by local authorities, and finally he made suggestions as to the imposition of a local income tax. Mr. Allcock is a leading authority on the matters dealt with by him, and in another issue we hope to review his paper in a more thorough manner than is possible on this occasion. We are also led to defer further observations owing to the fact that the draft of a new Rating and Valuation Bill is now before interested organisations in the country for consideration.

It was interesting to note from Mr. Allcock's reply to the discussion that his proposals for a local income tax had been incorporated in the paper read by him at the suggestion of the District Society, and that personally he did not think the present time was opportune to take up the question of the local income tax. Whatever else may be said on the matter, it is clear that the members of the Committee of the South Wales and District Society of Incorporated Accountants are not wanting in imagination. The discussion which followed on Mr. Allcock's paper was taken part in by some well known authorities on municipal organisation and accounting.

The second day's proceedings comprised a paper on "Accountancy in relation to Costs and Market Prices," by Mr. John Manger Fells, C.B.E., F.S.A.A., which is reviewed in another column. Mr. Fells' paper displayed that broadmindedness and sympathetic treatment which are characteristic of him, and in the discussion which followed, the speeches showed a keen appreciation of the difficulties of the times

and of the hardships encountered through the unemployment of nearly 1,500,000 people in Great Britain. In fact, the sympathetic feeling shown by the speakers was such that Mr. F. Woolley, F.S.A.A., Southampton, said that the paper and discussion had given him some little concern and he wondered how far they were travelling along Socialist ways.

The social side of the Conference calls for comment. The banquet in the City Hall, at which the President of the Society took the chair, brought together a large and distinguished company. Some excellent speeches were delivered, but unfortunately the acoustic properties of the hall rendered distinct hearing in all parts somewhat difficult. The toast of the evening was entrusted to Sir Harry Haward, and all regretted that a personality of such interest to our profession could not be called on earlier, as the toast of the Society was, owing to the modesty that characterises Incorporated Accountants, put last on the list. The City Hall and the beautiful municipal buildings generally were seen to greater advantage the following evening, when the Lord Mayor and Lady Mayoress gave an entertainment to the Society, comprising a reception and dance at which some 700 members and guests were present. Mention should also be made of the reception and dance given by the South Wales and District Society of Incorporated Accountants on the evening before the opening of the Conference, when the guests were received by the President of the local Society (Mr. John Allcock) and Mrs. Allcock. Other hosts of the Society included the Marquis of Bute and the Earl of Plymouth, by whose kindness the members were received and entertained at Caerphilly Castle and St. Fagans Castle respectively. A visit to Brecon and Abergavenny on a brilliant autumn day brought the proceedings of a memorable Conference to a conclusion. Much credit for the excellent arrangements is due to the Hon. Secretary of the District Society, Mr. Percy H. Walker, and to Mr. A. A. Garrett, the Secretary of the Society.

Cost and Market Prices.

THE paper read by Mr. Fells at the Cardiff Conference of Incorporated Accountants displayed not only a thorough grasp of the application of accountancy in all its phases to the business transactions of the present day, but also an extensive knowledge of economics. It was likewise evident that Mr. Fells had followed closely the discussions which have taken place and the literature which has been published in relation to the present monetary position and the remedies suggested for securing the stabilisation of commodity prices. But stabilisation alone is not sufficient, and in a brief but comprehensive review Mr. Fells touched upon many aspects of the greater problem which not only this country but all countries are trying their utmost to solve, viz, how to reduce the cost of

producing and of marketing the goods. The heavy charges for transport are now an important factor. The middleman, too, takes a larger toll than in pre-war days. The result is that while the producer complains that the small price he obtains does not cover his high cost of production, the consumer finds that the price he has to pay is excessive. Investigation has shown that transport charges and middlemen's profits are serious factors. Commodities frequently pass through the hands of one or more carriers, several railway companies and sometimes three or four middlemen before they reach the consumer. Mr. Fells in fact mentions cases where products sold in the mass pass through the agency of commission men, wholesale wholesalers, wholesalers, wholesale retailers, retailers and shopkeepers; and in their report the Departmental Committee on Distribution and Prices record that "the vegetable and fruit trade is almost unique in the variety of intermediaries who may be engaged in handling the produce and whose sole service is that of distribution. In some cases," they say, "there are as many as six intermediaries between the grower and the consumer." Under such circumstances it is not difficult to see how prices mount up, although each one concerned is anxious to show that he is not the party responsible. In passing, Mr. Fells took the opportunity of revealing some of the fallacies which these explanations contain.

At the root of the whole trouble is the great increase in wages since the war, which has upset all previous standards of prices, and consequently all previous bases of comparison. The item of wages enters largely into costs of every kind. It forms a large part of the cost of production; it is a large element in both railway and road transport, and it is an important factor in the business of the wholesaler and retailer. Hence the goods leave the hands of the producer at a higher cost, and at each stage of marketing a percentage is taken on the accumulated price, the plea being that each merchant or agent must have a certain percentage of profit on his turnover. Thus the figure accumulates until the unfortunate consumer finds that the price he has to pay has no relation whatever to the actual cost of production. This applies especially to perishable goods, such as fruit and vegetables, where the ultimate sale price is frequently several times the productive cost.

We fear, however, that another reason for the high prices is to be found in profiteering by middlemen, but with the goods passing through so many hands it is very difficult to fix the responsibility. It is here that the application of sound accounting can be of service. Mr. Fells points out that Departmental Committees of the Government, when engaged upon investigations, are usually supplied with their statistical data either by representatives of the trade which is being inquired into, or by Government Departments, such data being prepared by those who are not necessarily specially acquainted either with commercial procedure or practised in the accountancy technique which is requisite to give validity to statistical tabulation; and he adds that he thinks it would be desirable that such committees

appointed to investigate our distributive system should have power to employ qualified accountants to investigate and report to them on the portions of the matter which relate to accounts. Such a course would undoubtedly give confidence in the reliability of the basic figures and add authority to the findings of the Committees.

The latest development is what is termed in America "orderly marketing," which means the stabilisation of prices by carrying over stocks and avoiding the flooding of the market owing to temporary over-production. The result of this must necessarily be an additional element of expense, as storing cannot be done for nothing, and the object in view is clearly to benefit the trader and not the consumer. Another method is the control of production, a scheme by which the amount produced is limited so as to maintain the price at what is regarded as a remunerative figure. This again is a means of benefiting the producer at the expense of the consumer. Market prices are also affected in many cases by the additional cost incurred for transport charges in the transfer to outlying markets of goods which have originally been consigned to a central market. With the heavy costs of transport now ruling these charges are much more important than they were in the days of low prices, and it is essential that as far as possible they should be eliminated.

The report presented by the Departmental Committee on Distribution and Prices of Agricultural Produce, including milk, vegetables and fruit, meat, poultry and eggs, is reviewed by Mr. Fells, especially in regard to the margin between the prices received by the producer and those paid by the consumer. Here again we are met with the difficulty of not having any accurate accounting data to show how much of the margin is due to unavoidable costs and charges and how much is due to cumbrous methods of distribution by which, for instance, meat sometimes passes through eight or nine distributing agencies. Intimately connected with this is the long standing grievance that there is no legal obligation on traders to keep proper books of account, either of a costing or a general character, such as will show in which directions and for what purposes the expenditure on the business has been incurred. Without such records it is impossible for the searchlight of accountancy to achieve fully the end in view, viz, to make clear what are the necessary and useful costs that arise in connection with different methods of distribution and what are the unnecessary and useless costs, or the costs that might be avoided under a more suitable system of transport and distribution than that which is now in operation. But given the necessary book records it is the province of the professional accountant to work out results of this character and thus subserve, as Mr. Fells remarks, the ultimate interests of the whole community, whether producers, distributors or consumers.

Attention is directed to vacant public appointments and positions abroad for Incorporated Accountants advertised on page ii of cover.

YORKSHIRE INCORPORATED ACCOUNTANTS AND SIR CHARLES WILSON.

Alderman Sir Charles Wilson, LL.D., M.P., J.P., was honoured by his fellow members of the accountancy profession on Monday, October 22nd, at a complimentary dinner given at the Queen's Hotel, Leeds, by the Yorkshire District Society of Incorporated Accountants and Auditors. The Chairman of the District Society (Mr. Frederick Holliday) presided over a large gathering, at which were present, among others, the following representatives of the professional, civic and social life of the city:—The Lord Mayor of Leeds (Alderman Frank Fountain, J.P.); Mr. George Stanhope Pitt (President of the Society of Incorporated Accountants and Auditors); Mr. A. A. Garrett (London) (Secretary of the Society of Incorporated Accountants and Auditors); Mr. William Claridge (Bradford) (Past President); Mr. G. C. Veale (President of the Leeds and District Society of Chartered Accountants); Mr. Norman Hurlley (Secretary of the Leeds and District Society of Chartered Accountants); Mr. H. A. Crawford (President of the Leeds Law Society); Mr. Charles Scriven, LL.B. (Secretary of the Leeds Law Society); Sir Robert E. Fox (Town Clerk of Leeds); Mr. W. H. Clarke (City Coroner); Mr. R. L. Matthews (Chief Constable); Mr. Clifford H. Bowling (Official Receiver); Alderman George Ratcliffe; Alderman Herbert Brown; Mr. David Little (President of the Leeds Chamber of Commerce); Mr. C. W. Lillie (President of the Leeds Chamber of Trades); Mr. J. W. Hall (His Majesty's Inspector of Taxes); Rev. D. Abelson (Jewish Rabbi of Leeds); the Rev. A. Glendinning (President of Free Church Council); and Mr. F. C. Crosland (Hon. Dinner Secretary).

The CHAIRMAN in proposing the toast of the evening said that even those who disagreed with Sir Charles Wilson in politics would unite with his friends in expressing congratulations to him on an occasion like this. His industry, courage, confidence and tenacity had combined to make him an outstanding figure in the life of the city, and in the City Council he had proved himself a great administrator, particularly in the realm of finance. They all admired, too, the vigorous way in which he had tried to carry the various corporation Bills through Parliament. One of his most notable achievements, and the one by which he would perhaps be longest remembered, was the way in which he took the initiative in effecting the recent purchase of Temple Newsam for the city. For that alone the city owed him a deep debt of gratitude—a debt which future generations would realise more and more. The chairman went on to say that Sir Charles Wilson was in many respects a party to himself. (Laughter.) Sir Charles, by his untiring and disinterested work for the city, thoroughly deserved his knighthood and the honorary freedom of the city, and the honorary degree conferred by the University, and although they did not all vote for him, they were glad to see him go into Parliament. He had much pleasure in proposing the health of a true patriot, a loyal colleague, and a great citizen. (Applause.)

SIR CHARLES WILSON in rising to reply was received with much enthusiasm and the singing of "For he's a jolly good fellow." He said he was very greatly complimented and encouraged by the honour done him, and he was glad to know that he retained the friendship of so many with whom he had for years been in contact and sometimes in conflict. He was if anything rather alarmed at the various honours which had been conferred upon him this year. Those honours might be an indication that a man was approaching the time when his work was finished. (Cries of "No, no.") He strongly felt that when he had finished his work he would get the call whether he was ready for it or not. Happily he felt fit for many more years of the work which he loved. (Applause.) In reminiscent vein, Sir Charles highly amused the company with his early experiences as a vocalist—when his voice was distinguished for power rather than quality—(laughter)—and stories of his life as quarter-master of the Leeds Pals' Battalion during the period of training on the bleak heights of Colsterdale. He concluded by expressing his pride in the profession of which he is a member, and by thanking his

colleagues and friends for their expressions of goodwill. (Applause.)

Mr. WILLIAM CLARIDGE gave the toast of "The City and Trade of Leeds." He playfully denied that the city of Bradford, from which he came, was in any way mortally jealous of Leeds. On the contrary, they had a genuine and sincere admiration for the greatness of the city of Leeds, which they knew was so much wrapped up with the personality of the guest whom they were honouring that night. In a reference to the four great industries of Leeds—its textile, engineering, leather, and clothing trades—he said he once heard that "God made man, but the tailor made man fit to look upon." Leeds in its clothing trade certainly did that. (Laughter and applause.)

The LORD MAYOR (Alderman F. Fountain, who is a Labour Alderman of the city) was received with musical honours on rising to reply. In making pleasant allusion to his association with Sir Charles Wilson in municipal work, he said of the latter that though he differed from him in many things he could appreciate his whole-hearted and sincere devotion to the city's interests. "Because a man differs from me politically" added the Lord Mayor "there is no reason for thinking his point of view is of no value, and that you are the only pebble on the beach. Even if I enter into the political conflict immediately I leave office, I shall do it with a greatly enlarged experience, and with the intense satisfaction of knowing that there are delightful people everywhere." The Lord Mayor recalled Ruskin's words that "The greatness of a nation consists not of the things which it possesses, but rather in the happiness and contentment of its people." If it were the objective of the citizens of Leeds merely to build buildings and get wealth, it was not sufficient if they were not actuated by the higher motive of bringing happiness and contentment to the people. Love begot love, right begot right, and playing the game begot the sportsman and the man.

Mr. DAVID LITTLE, the President of the Leeds Chamber of Commerce, also replied to the toast. In doing so he expressed the hope that Sir Charles Wilson would closely watch the city's interests in Parliament in the matter of railway facilities. Traders, he said, viewed with some concern the recent amalgamation of the railway companies. If it were true that great economies would be effected by the amalgamations, the trading community might surely hope to participate in those economies by having reduced railway rates. Leeds must have cheap transport facilities or it would be at a great disadvantage with towns nearer to the great ports.

The toast of "The Legal Profession" was proposed by Mr. TOM COOMBS, who pointed out how the great development of joint stock companies had brought the members of the accountancy profession to a prominence and dignity complementary to that enjoyed by the older legal professions. He was happy to know that locally the association of the two professions was of an intimate and amicable character. That was as it should be because they both served the public and they both claimed to give efficient and valued service. It had been said sometimes that accountants trespassed too much upon the preserves of the lawyers, more particularly in regard to the registration of joint stock companies. So far as the Institute and the Society were concerned he thought that suggestion was not justified. He thought, on the other hand, there were points on which the legal profession might turn more to the assistance of the accountants. There was, for instance, the auditing of trust accounts, in which accountants might be taken more into the confidence of the lawyers. There was another matter in which the legal profession might help them, namely, in removing from accountants the responsibility for the examination of deeds. If they would do that they would render very great service to the accountancy profession.

Mr. HAROLD CRAWFORD, the President of the Leeds Law Society, responded. Alluding to the fact that the two professions of law and accountancy were closely allied, he remarked facetiously that they were sometimes told they were both out to "slay the Amalakite," or in other words, to plunder the layman. (Laughter.) That was far from the truth. What was the layman's usual course of procedure?

He began by getting himself into a fearful mess, and then, putting on the air of an early Christian, rushed to his accountant or solicitor in the hope of finding salvation, and, having done so, generally refused to pay the bill of costs. (Laughter.) In a sympathetic allusion to the guest of the evening, he likened Sir Charles Wilson to Wordsworth's "Happy Warrior"—a fighter always, but yet one who had as sweet and sympathetic a nature as any man he knew.

Mr. CHAS. SCRIVEN submitted the toast of "The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors." Lawyers, he said, envied accountants the simple way in which they made out their bills and the extraordinary success which they had in collecting them. In regard to the auditing of trust securities, Mr. Scriven thought the point of view of accountants might be met by having a joint examination of the deeds by both the lawyers and accountants concerned. Referring to the apparent tendency of both the legal and accountancy professions to throw a greater responsibility upon the younger members of the professions, he said there was nothing like it for bringing out the best that was in the professions. Accountants, unlike lawyers, however, were handicapped in not having one solid and united society representative of the whole profession. If a solicitor might venture a suggestion it would be to express the hope that one day the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors would join in forming a strong organisation which should be invested with disciplinary powers over the whole of its members. (Hear, hear.) It would be a great thing to have such an organisation, which would make all its members custodians of their own honour. (Applause.)

Mr. GEO. STANHOPE PITT, the President of the Society of Incorporated Accountants and Auditors, made the first response to the toast. In a playful allusion to Sir Charles Wilson's famous boast, "I am Leeds," Mr. Pitt said they, as accountants, were proud to possess Leeds as one of the pillars of their Society. On behalf of 3,800 Incorporated Accountants and over 3,000 students of their Society he was proud to be present that night to do honour to one of the most distinguished members of the profession and one who deserved so well of his city. (Applause.) Mr. Pitt went on to make interesting reference to the community of interest between the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors. He said that on questions of educational qualification, professional ideals and professional dignity the Institute and the Society were absolutely agreed. There was really nothing left to think about, because they were in complete agreement on all the great matters that counted in the profession. (Hear, hear.) That being so, he entertained the optimistic view that a measure of statutory registration of all accountants would be of the greatest service to the profession as a whole. (Hear, hear.) The fact that dentists had been able to attain an Act of Parliament to regulate and secure registration of qualified practitioners gave ground for hope that a similar provision might be enacted for the benefit of the accountancy profession. (Applause.)

Mr. G. C. VEALE (President of the Leeds Institute of Chartered Accountants) also responded. Time was, he said, when the learned professions embraced but three—the Church, medicine, and the law. Should he be presumptuous if he suggested an addition to the family by including accountants? Lawyers and accountants at any rate had this in common: that whereas the Church could decently bury the mistakes of the doctor—(laughter)—no benefit of the clergy could attend the graveside of the errors of lawyers and accountants. Joking apart, he claimed that accountancy was a profession in which an indispensable service was being rendered to the needs of the community. Just as trade was dependent upon credit, so was credit inseparable from confidence, and nothing was more conducive to confidence than that documents upon which security was given should bear the hall mark of accountants' professional signatures. Mr. Pitt had said rightly that very little separated the two great societies of accountants. Their ideals were the same. Their ideals were ideals of service, whose reward was that confidence which it was their constant endeavour to maintain and uphold. He could not but feel that the day would come—and would come soon if the whole profession were of the same unanimity as those present that night—when a request would be made

to the State to grant the registration of accountants in the same way that doctors, lawyers, and now dentists, were registered. He could not see why there should not be one executive, which would be the ruling body of the profession. They might still have their two separate organisations. They might even have another society incorporated within that all-embracing fold, but there could be one executive that should lay down the governing principles of their professional life and conduct—one executive who would appeal not merely to the members within the fold, but would make a wider appeal whereby the public at large would continue to give them that confidence which he believed had in the past been well merited. (Applause.)

"The Guests" were toasted on the motion of Mr. J. B. LAPISH. Mr. C. W. LILLIE, the President of the Leeds Chamber of Trades, responded.

Correspondence.

CAPITAL OR REVENUE?

To the Editors *Incorporated Accountants' Journal*.

SIRS,—Can any of your readers answer the following question?

In 1919 A B, the proprietor of a hitherto unlicensed hotel, applied for and was granted an on-license to supply visitors at his hotel; this monopoly value was fixed at £1,500 and is payable £100 a year. Is this annual charge a capital or revenue item? No other license money is paid (so it is understood), only the duty on the liquors purchased.

Yours faithfully,

Haverfordwest.

FREDERICK WARREN.

INCOME TAX AND SUCCESSION.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—Is there any ground for claiming that the existence of a private firm where one of the partners retires shall be looked upon as a new business for the purposes of income tax assessment and liability to excess profits duty?

The facts shortly in the case in which I am interested are as follows:—A private firm consisting of four partners traded together for some years prior to and during the late war, and on December 31st, 1918, one of them retired and his capital was paid out over a period covering the two subsequent years. No other partner took his place.

The Inspector of taxes insisted that the firm in its new form was just a continuation of the old one, and accordingly assessed them on that assumption for income tax average and the liability to excess profits duty.

Recently one of the partners, in conversation with another accountant, was told that in a similar case with which he had had to deal the claim that the changed constitution of the firm should be treated as a new business was allowed.

I have looked through the Income Tax Act and the various Finance Acts and regulations dealing with excess profits duty, but cannot find any clause bearing on the matter to support this claim, so am writing to see if any of your readers can enlighten me.

Yours faithfully,

W. H. D. M.

CONFERENCE PHOTOGRAPH.

Copies of the photograph taken at the Conference are now available, and it is requested that those members who desire to secure a copy will communicate with Mr. Percy H. Walker, Hon. Secretary of the South Wales and Monmouthshire District Society, 4, Park Place, Cardiff. The charge per copy is 5s., together with cost of postage.

Incorporated Accountants' Conference at Cardiff.

(October 3rd, 4th, 5th and 6th, 1923.)

A LARGE number of members of the Society of Incorporated Accountants and Auditors and ladies were present at the City Hall at the opening of the Autumnal Conference on October 4th.

Welcome by Lord Mayor.

The proceedings were opened by the Right Hon. the LORD MAYOR OF CARDIFF (Alderman Dr. J. J. E. Biggs, J.P.), who delivered an address of welcome.

HIS LORDSHIP said it was to him an unexpected pleasure to undertake that duty and privilege and to extend a most hearty welcome to the Society of Incorporated Accountants on behalf of the city of Cardiff. He did not propose to make a long speech, because he realised that Incorporated Accountants were a business-like body and desired to proceed as quickly as possible to the discussion of the business of their important profession. He hoped, however, that even amid their business activities they would find time to visit many of the objects of interest in a city upon which the citizens prided themselves.

He was particularly pleased to be able to welcome them to Cardiff on account of his friendship and admiration for the City Treasurer, Mr. John Allcock, a distinguished member of the Society. He considered that in the City Treasurer Cardiff had an excellent officer who devoted himself to the interests of its citizens. He did not propose to detain them longer as he would have an opportunity of meeting them later, and concluded by expressing the hope that the members would enjoy their visit and have a successful Conference. (Applause.)

MR. GEORGE STANHOPE PITT (London), President of the Society, then proposed a hearty vote of thanks to the Lord Mayor for opening the Conference and for his interesting address. The Society were deeply indebted to the Lord Mayor and Corporation for their kindness in permitting them to hold their Conference in such a magnificent building and for extending to them their generous hospitality. He assured the Lord Mayor that not only the members present but the whole of the members in Great Britain and the Dominions were deeply indebted to him for initiating their proceedings to-day. The President much regretted the absence of his Vice-President, Major G. A. Evans, of Cardiff, in consequence of a serious illness, and he would accordingly call upon the senior Past President, Mr. F. Walmsley, to second the vote of thanks to the Lord Mayor which he had much pleasure in proposing.

MR. FREDERIC WALMSLEY (Manchester) said he rose with great pleasure to add a few words in tendering the thanks of the Society to the Lord Mayor for the interest he had taken in the work of the Society in opening the Conference to-day. He, Mr. Walmsley, was one of those who recollected vividly

the hospitality and the interest which was taken in the Conference they held in Cardiff about fifteen years ago, and he recognised and appreciated the renewal of the hospitality extended on that occasion which was personified to-day in the present occupant of the civic chair. It was an honour to him to support the President, but that honour was accompanied with regret by the fact that he was standing in the place of their honoured Vice-President. There was no member of the Society who had taken a greater interest in the work of the Society in that part of His Majesty's Dominions than Major Evans, and they all hoped he would soon be restored to health. He had great pleasure in extending to the Lord Mayor all thanks on behalf of those present and on behalf of the members of the Society generally for his kindness in opening the Conference.

The vote of thanks was carried by acclamation.

The LORD MAYOR said he wished to express his acknowledgments to those present for the very kind way in which they received the vote of thanks.

PRESIDENTIAL ADDRESS,

BY

MR. GEORGE STANHOPE PITT, F.S.A.A.

Ladies and Gentlemen; In the first place I should like to take the opportunity of welcoming to the Conference the members of the Society, both those resident in South Wales and those who have travelled from all parts of the country to be present, particularly as this is the first occasion upon which I have had the pleasure of meeting the members in an official capacity since the Council did me the honour of electing me as your President. I recall that it is fifteen years since the Society last foregathered in Cardiff, under the Presidency of our good friend the late Mr. Harry Lloyd Price, whose labours have left a permanent mark on the work and organisation of the Society. I am sure we greatly deplore that my Vice-President, Major Gwilym Arnold Evans, who for a long period of years has been the representative of the South Wales members on the Society's Council, is prevented from being with us at the Conference owing to illness. I would suggest that a telegram of sympathy and good wishes for his speedy recovery be sent to him from the members of the Society gathered here to-day. It is particularly fitting that at this meeting Mr. John Allcock should be the President of the South Wales and Monmouthshire District Society, an office which he also held at our last Cardiff Conference in 1908. To the District Society, to the Hon. Secretary, Mr. Walker, and to the members of the South Wales Committee we are much indebted for the invitation and the initiative which has enabled us to meet in the chief centre of trade and industry of the Principality.

We are glad that we shall have with us later on one of our senior Past Presidents, Sir Charles Wilson, and I should like in your name to tender to him our cordial congratulations upon the honour which he has recently received from His Majesty the

King, and also upon the fact that he now sits in the House of Commons as the Member for Central Leeds. With our congratulations we offer our good wishes to Sir Charles and Lady Wilson that they may long enjoy the recognition of Sir Charles' faithful public service. We have every reason to hope that Sir Charles' example in becoming a Member of Parliament will very soon be followed by other members of the Society.

I also hope later in the proceedings to be able to offer a cordial welcome on your behalf to Mr. W. J. O'Brien, of Pietermaritzburg, a member of the Society's South African Committee, who represents the capital of Natal in the Parliament of the Union of South Africa. His visit to this country is of particular interest, as he is over here with his Prime Minister, General Smuts, as a member of the Economic Conference sitting in London at this time.

PROGRESS OF THE SOCIETY.

It is of interest to note that when Mr. Harry Lloyd Price last addressed you in Cardiff he referred to the fact that the Society had not long before obtained a decision in the High Court of Justice which confirmed to the members of the Society the exclusive use of the designation "Incorporated Accountant," and that the Judge had pronounced the Society's diploma to be an indication of reliability and integrity. Since that date many events of national and professional importance have happened which have emphasised the position of accountancy as a profession, and I submit have placed the Society in a unique and unchallengeable position in the organisation of the profession. In 1908 the membership was approximately 2,230, while to-day it amounts to no less than 3,850, and I can say with confidence that, having regard to the large number of our students, the membership is likely to assume much larger proportions. I know you will agree that the status of a professional body cannot be measured in purely quantitative terms. Professional status has another standard of values—the system of training, the quality of examinations and tests imposed, and the professional capacity of those to whom that status belongs. That increase in membership is a source of satisfaction, more especially as it has been conditioned by the fact that candidates shall have had a long period of practical training and shall have passed those tests of general and professional fitness which constitute the standard for the Society's diploma.

The members of the Society are to be found in England and Wales, Scotland and Ireland, and in all parts of the British Dominions and the United States of America. Recently I had the pleasure of paying a visit to the branches in South Africa upon whose advice the Council act in all matters relating to the Society in the Union, and who take charge of the examinations which are held in Cape Town and Johannesburg for the convenience of candidates in that country. I should like to testify to the strength and to the loyalty of the members in the Union who by a high standard of professional conduct have enhanced the value of the diploma of Incorporated Accountant throughout South Africa.

Before closing this brief review of the present position of the Society, I would emphasise the value of the work of our

District Societies, which has been particularly exemplified in the zeal of the members of the South Wales and Monmouthshire District Society. From time to time I have had the pleasure of visiting some of the Districts, and I hope that before my term of office has expired to make further visits away from London. I consider there is no more important branch of the Society's work than that of bringing together our younger members for professional discussion and conference which reflects itself in the knowledge and capacity of our students and gives them an appreciation of the traditions of professional life and of the Society's policy. A recent development of this work has been a conference, which was held in London last May, of representatives from all the District Societies, and which proved to be of a useful character. It is intended that this informal conference shall meet at least once a year for the interchange of views.

REGISTRATION FOR THE PROFESSION.

My predecessor, Sir James Martin, recently addressed you at the Autumnal Conference held in London last year and also at the Society's Annual General Meeting, and there remains but little for me to add to his comprehensive and exhaustive survey of the recent work of the Society. I would, however, join in his expression of regret that it has not been found practicable to bring about that consolidation of the work of the Society by the setting up of a statutory register of accountants. There are many in this Society who hold that the standing and recognition accorded to the Society's members and the protection of title afforded by the law is a sound basis for professional practice, but I must confess that personally I share the view of the majority of members that professional registration upon liberal but well defined lines would afford a measure of protection to the public as well as to the profession, which in our judgment they are entitled to expect. I can assure the members, however, that this important subject has not escaped the attention of the Council. In some directions the need for statutory control is only too apparent, and the ever increasing activities of income tax experts, income tax agencies, subject to no kind of disciplinary control, conforming to no professional standard, and unlimited in the choice of methods of obtaining professional business, are such as to give us cause for considerable reflection. Yet in spite of all these difficulties, which many of you know from first hand experience, I am satisfied members of the Society in their individual capacity are well maintaining the position to which their professional status entitles them. I therefore see no cause whatever for other than an optimistic outlook, which I trust the years ahead will justify.

I feel that this important question of registration for the profession, which our Society has advocated for more than thirty years, must sooner or later be accomplished, and I appeal to the profession to recollect that this question, settled on liberal lines, is not likely to prejudice the personal interests of those now carrying on public practice. On the other hand, there can be no doubt that the public has need of the protection which registration would afford, and that such a measure would place the profession of accountancy in years to come in that position to which it is entitled. We must

never forget that our personal activities are of comparatively short duration, but that the great profession to which we belong is a continuing entity. To stand still, then, is in my view harmful to all concerned, and only a progressive policy is worthy of our consideration.

We have before us many examples of difficult questions remaining in abeyance for years, which have been settled eventually in a manner far less satisfactory than they might have been had there been a generous appreciation of the subject matter of the controversy and had a settlement been reached at an earlier date; the dangers of delay are only too apparent. The Dentists' Act has set us an example, the fruits of which will be abundant in a very few years. Surely generosity combined with a far seeing outlook is the best policy for the solution of this difficult question.

TRADE, INDUSTRY AND FINANCE.

It is not unnatural that in an address of this character some reference should be made to the present state of trade, industry and finance of the country, because in our professional capacity we must necessarily judge what effect the present state of affairs has upon the individual undertakings to which it is our duty to act as advisers. My predecessors, in their respective Presidential Addresses, had reasonable ground for hope that the country, after four and a half years of war and a considerable period of unsettlement after the war, was at last turning towards a more favourable state of affairs. If we have much cause for thankfulness in what has already been accomplished, it is a matter of regret that the present state of trade and industry falls far below what we had reason to expect after the conclusion of hostilities. It is not a small matter to any of us that over a million of our people are suffering from want of employment. The economic development of this country during the last and present centuries has been directed more and more to the concentration of our energies in manufactures and trade, while agriculture, important though it be, has unfortunately never received that encouragement from the State which I hold it should. In Europe agriculture has been the spoilt baby, in England it is still the neglected child, but I hope that as a result of the experience of the war wiser counsels will prevail in the future, and that this, our largest industry, may look forward to a reasonable measure of prosperity: for the best of our race are born and bred on the land.

As a nation we are for the most part dependent upon our industries, and we may be quite sure that anything which tends to their prosperity is also a substantial contribution to the general public welfare. The difficulties with which His Majesty's Government have to contend in carrying on the business of the country are such as to call for the support and sympathy of all citizens. None the less, from the point of view of industry and trade, we cannot but feel that the present level of public expenditure is a grievous burden upon the community and its business affairs. We rejoice at the stand successive Chancellors of the Exchequer have made in finding every year the income essential for the needs of the country, and that they have kept the country free from

those other expedients which have brought some of our neighbours into a disastrous position. The present political uncertainty on the Continent of Europe has seriously retarded those developments which we believe would contribute to the rehabilitation of our country and put on a sound economic basis the countries of the Continent of Europe, many of which are so seriously affected. We can only hope that during the months that lie before us we may add another settlement to those already made in various directions, which, though they may have placed a great burden upon the resources of the country, have maintained the financial standing and rectitude of this country beyond any question of doubt. I suggest that the steps which have been taken to meet our obligations during the last few years have not only been sound in principle, but have been equally sound from a purely business point of view. I earnestly hope that in the near future there may be an atmosphere of greater certainty than exists at present out of which I believe may come great prosperity, in which the whole world will participate.

When one turns away from Europe and from the disastrous effects of the war and surveys the British Dominions overseas one finds reason for thankfulness and encouragement. I plead for nothing less than the development of the British Commonwealth by every means in our power—by finance, by emigration, and by friendly legislation—for there, I am convinced, lie our best hopes for the future.

INCOME TAX MATTERS.

Upon the question of income tax, a useful piece of work has recently been carried out by a Committee appointed by the Chancellor of the Exchequer, sitting under the Chairmanship of The Hon. Mr. Justice Rowlatt, whose business was to consider what, if any, improvements could be made in the income tax forms issued by the Inland Revenue, within the ambit of the existing law. This Society had the honour of submitting evidence to that Committee. The preparation and submission of the evidence was in the hands of a sub-committee consisting of Mr. Arthur E. Green, Mr. C. Hewetson Nelson, Mr. William Claridge and Mr. William Strachan, who made several suggestions of a practical character. I would like to express on behalf of the whole Society our indebtedness to that Committee in dealing with a matter of considerable difficulty.

There has recently been some agitation in the Press on the question of the evasion of income tax, arising out of correspondence which appeared in *The Times* during the month of August. The correspondence reiterates the evidence given before the Royal Commission on Income Tax in 1920 to the effect that a very large amount was lost to the Inland Revenue annually by fraudulent evasion of income tax. It was also suggested that although the merchants of the country as a body are honest, it was considered that evasion mostly took place in returns in respect of trade profits.

Sir James Martin, who has devoted much time and attention to this question, pointed out in reply to the allegations that if they could be supported by proper evidence the place to deal with a question of this kind was on the floor of the

House of Commons when the Finance Bill for the year was under consideration, and I entirely concur in his view.

The Royal Commission on Income Tax made a number of useful recommendations to prevent evasion of tax, but no Government has yet attempted to deal with the whole of the recommendations in the report by legislation. It is true that clauses were introduced in the Finance Act for the current year by which the time for the recovery of any fine or penalty incurred under the Income Tax Acts was extended from three years to six. This clause, however, is not restricted to cases of fraud, and it is suggested that where no fraud is alleged harassing regulations ought not to be made irritating to those taxpayers who make proper returns. Although the Royal Commission did not make a recommendation to this effect, Sir James, in his evidence before the Royal Commission, stated that if evasions to the amount suggested do in fact take place it would be a most effective instrument if the authorities had statutory power to compel traders to keep proper books of account so that there should be no difficulty in making proper and accurate returns for tax. I would, however, add this: that so far as members of the Society of Incorporated Accountants are concerned, their practice and their duty has always been to advise clients to meet their obligations to the Inland Revenue in a manner which leaves no room for doubt as a matter of business or as a matter of personal integrity. The profession and the commercial community are much indebted to Sir James Martin for his labours in connection with this important aspect of the income tax.

THE IMPORTANCE OF FACTORY ORGANISATION, COSTING, AND OFFICE ORGANISATION.

In my judgment this branch of our professional work becomes increasingly important year by year. In times of depression as well as in times of prosperity, the profession can render valuable service to the commerce and industry of this country by advice on works and office organisation which includes the important question of costing. Costing is an integral part of the work of Incorporated Accountants, and in these difficult times the country would benefit by a more liberal view of the value of the results and assistance which can be obtained by the adoption of new and more progressive accounting methods.

It is essential that our industries shall be in a position to respond immediately to any improvement that may take place in the present position of affairs. The relation of accurate costing records and periodical statements of profit and loss to sales is well known to members of the profession and I need not emphasise the matter, but I do not think the general public realise its importance nor do they give to it that attention which it merits. I hope, therefore, there will be a further development of our work in the direction I have indicated.

IMPERIAL ECONOMIC CONFERENCE.

I cannot conclude my address without a brief reference to the Conference of the Premiers of the British Dominions Overseas, now assembled in London under the Presidency of

the Prime Minister, to confer on the general welfare of the British Commonwealth of Nations.

The importance of this Conference increases as years go by both in developing the ties between the Mother Country and the British Dominions, and also in dealing in a practical way with the economic problems which confront us, problems which I venture to think were never more onerous than they are at the present time. Our good wishes will go out for the successful conclusion of the united endeavours of the Prime Ministers, and also of the larger body of Ministers and their advisers who will take part in the Economic Conference, which has before it the whole subject of Inter-Imperial Trade.

In view of the important paper to be read by the President of the South Wales and Monmouthshire District Society, Mr. John Allcock, the City Treasurer of Cardiff, I will not detain you longer except to express my thanks for the privilege and opportunity of meeting you here to-day and to hope that this Conference will be both a professional and social success.

A Paper was then read on

THE INCIDENCE AND RELIEF OF LOCAL RATE BURDENS,

BY

MR. JOHN ALLCOCK, F.S.A.A..

CITY TREASURER AND CONTROLLER OF CARDIFF.

(October 4th.)

1.—The subjects with which I propose to deal are (a) Rates, (b) Suggestions relating to the rating law and assessment of property, (c) Transfer of profits from trading undertakings owned by local authorities, and (d) Local Income Tax.

2.—The latter was chosen by my colleagues on the local committee, and the former appear to me to have a close relationship with the suggestion of a local income tax, as the introduction of such a scheme would immediately affect every ratepayer and materially alter the amount of rates now payable by him.

RATES.

3.—I will deal with this matter as shortly as possible as I assume that most of my audience understand the significance of local rates and the method whereby redress from any over-assessment may be sought. It would, perhaps, be just as well to state that before levying a rate, detailed estimates are prepared by each committee of a local authority, approved by the finance committee and subsequently authorised by the council. Such estimates contain the anticipated income and expenditure for the ensuing financial year. In practice the following method is usually adopted.

4.—The annual estimates show a deficiency between the anticipated income and expenditure of a certain sum which is the amount to be raised by rates. Having regard to the assessable value it is found that, after making an allowance based on experience for losses in collection from the following causes, viz, empty property, persons absconding, poverty, &c., it is necessary to levy a rate of, say, 12s. 8d. in the £ for the year.

5.—*Estimate for General District Rate for the year from April 1st, 1922, to March 31st, 1923.*

Estimated expenditure ..	£1,000,000	Income from sources other than rates	£97,000
		Deficiency to be made good by rates ..	903,000
	<u>£1,000,000</u>		<u>£1,000,000</u>

6.—*Statement showing Rate to be levied for the year ended March 31st, 1923.*

Assessable value of Borough	£1,500,000.	£	s.	d.
1d. in the £ will produce, gross	.. ..	6,250	0	0
Estimated losses in collection, empty property, &c., 5 per cent.	.. ..	312	10	0
Net estimated yield of a rate of 1d. in the £		<u>£5,937</u>	<u>10</u>	<u>0</u>

Deficiency to be made good during year, £903,000.

£903,000 ÷ £5,937 10s. 0d. = 152.08d.

Rate to be levied for the year, 12s. 8d. in the £.

One half of this, viz, 6s. 4d., would be levied for the half-year ending September 30th.

7.—The other half for the following six months may require some adjustment.

If the previous year's rates were found to be higher than were required (and this might arise from less expenditure, due to economy of administration, income tax liability being less than was anticipated, losses on rate collection not reaching the estimated figure, &c.) the balance in hand so secured should be carried to the relief of the rates levied for the subsequent half-year ending March 31st. On the other hand, since the annual estimates were prepared it might have become imperative that certain works should be undertaken and for which no provision had been made.

The calculation of the rate to be levied for the second half of the year is as follows:—

Moiety of annual deficiency	£451,500
Deduct amount in hand on previous year's rate	24,200
	427,300
Add net expenditure as per supplemental estimate	11,325
	<u>£438,625</u>

and proceed as before to convert this sum into a rate in the £.

8.—Rates are levied on the annual value of property occupied, less a deduction mentioned in the next paragraph, so as to arrive at the net annual value.

9.—Net annual value is defined as being the rent at which the property might reasonably be expected to let from year to year, free of all usual tenants' rates and taxes, tithe commutation rent charge, if any, and deducting therefrom the probable average annual cost of repairs, insurances and other

expenses, if any, necessary to maintain them in a state to command such rent.

10.—Having regard to the practical stoppage of building operations during the war and the consequent shortage of houses and business premises, rents to-day are very much higher than in 1914. But this does not apply to a pre-war lease, in which case the rent received is not as great as the rent at which such premises might reasonably be expected to let from year to year under present day conditions.

11.—Until the upheaval caused by the war, the rateable value—that is the actual figure upon which the rates are calculated—was in the majority of cases lower than the rent, inasmuch as such figure was arrived at by deducting from the rent the cost of repairs and general maintenance, but owing to inflation in prices in recent years such is no longer the case, and it is quite possible, in fact highly probable, that in towns of any size there will be hundreds of cases where the rateable value to-day is higher than the actual rent paid, the reason being that the rent received under the pre-war lease is less than the present annual value of the property.

12.—I have a case in mind which may illustrate my point: Two houses in this city, the pre-war rental value of each being £80 per annum, were occupied by the owners. In 1916 one became vacant and was immediately let to a business firm for offices at a rent of £275 per annum, the tenant paying rates. In 1919 the second house was let to a number of professional men, and in the aggregate they were charged £750 per annum rent, with an obligation on their part to pay rates in addition. Now it is obvious that a rent of £750 from property, the rental value of which was £80 in 1914, can only have been obtained because of the extreme shortage of offices, and it does not represent the true value although it represented the market value at the time the letting was made. Obviously, also, the house which was let for offices at £275 per annum by comparison with the one let at £750 per annum, is paying less rent than could have been obtained from year to year for the premises.

13.—The overseers and the assessment committee took a reasonable view of the situation and rated the premises as though the rent of each was £450, but probably for the first time in rating history the tenant of the house rented at £275 per annum is paying rates on a much higher value. This will continue to a greater or lesser extent until normal times, or somewhere near normal times, arrive.

14.—One might perhaps mention in passing the relation between the assessment for local purposes and Schedule "A" Tax. I believe the gross value for poor rate purposes is in many instances being adopted by the Inland Revenue Authorities, and this appears quite fair; but I think that the allowance which the board is prepared to make from such gross value in order to arrive at the figure upon which the tax is actually calculated is not sufficiently large. I feel that a very much greater allowance should have been made, and had this obtained, the discontent which was expressed at the action of the Government would not have arisen and the tax paying community would have been satisfied that the higher gross figure should have been taken, provided the allowance for the upkeep of the property was more in accordance with the actual cost.

15.—As illustrating the need for a greater allowance than formerly I might say that a re-assessment of the city of Cardiff has recently taken place, and in connection therewith the former allowance of 12½ per cent. was increased to 25 per cent. so as to meet the present high charges made for repairs. The rateable value before re-assessment was £1,273,779, and after re-assessment £1,452,261. There was therefore added to the rateable value £178,482.

16.—Having regard to the illustration before given of the two houses and the desire on the part of the governing body to act fairly between the extremes in rents which now obtain, it is satisfactory to record that the number of appeals have been comparatively few and not at all important in character, and that the £178,482 added to the rateable value of the city has been reduced on appeal by £7,400 only, and as two rates have now been collected on the new valuation it may safely be assumed that the majority of appeals have already been made and determined.

SUGGESTIONS RELATING TO THE RATING LAW AND ASSESSMENT OF PROPERTY.

17.—The assessment of property has a marked bearing on the rates in the £ which are levied in any given area, and it does not by any means follow that a ratepayer in an area in which a rate at 15s. in the £ is levied is paying twice as much as the ratepayer in another area where the rate is 7s. 6d. in the £. Part of this difference may be accounted for by different treatment in arriving at the rateable value. I have personal knowledge of an undertaking being rated at £600 and a similar concern, but 25 per cent. larger, in another town rated at £225, and as the assessment of £600 was arrived at by assuming a reasonable rate of interest on the capital expenditure, and an assumed life of 25 years for the machinery which was rateable, it would lead one to suppose that the property rated at £225 was undervalued. This was an outstanding instance, and I do not wish to suggest that so marked a variation is at all universal—in fact, I am sure that it is not—but in any case it points to the desirability of the importance of the work of the overseers and the assessment committee being more generally recognised, and these two bodies should both be strengthened, or, better still, there should be created rating authorities more representative than at present.

18.—This question is now receiving the consideration of the Government, and I feel that a strong body could be formed by representatives of the county or town council, the guardians and the local commissioners of taxes—and the latter should not be appointed as at present, but should be either members of a council or other public administrative body duly elected by the ratepayers, subject to such conditions as might be prescribed by the Government. In counties districts could be formed, as it would be next to impossible to deal with such a large area as a unit. Action on these lines would probably remove the differences—which at times are very great—between the valuation of property for (a) Imperial taxation and (b) local rating.

19.—I think it would be a distinct step in the right direction if England and Wales followed on the lines of Scotland in assessing certain properties. The Scottish Valuation Act provides for

the appointment by the Treasury of an assessor for railways and canals, who may also make up a valuation of public undertakings such as water, gas, electricity and tramways, wherever they run into more than one rating area.

20.—It has been stated that the present rating areas bring about inequality of burdens. Take for instance a borough with a wealthy population living outside its rating area. The manifest reason is that they can secure all the pleasures of a country home and at the same time be close enough to the town to participate in the advantages afforded by a large borough. Such residents do not contribute one penny to the rates of the borough in respect of the occupation of their houses.

21.—On the contrary it is sometimes contended that the working population of certain areas directly contribute to the prosperity of the adjoining borough. This might be advanced with regard to Cardiff and the South Wales coalfield, and possibly with regard to Liverpool in its relation to the millions of workers in Lancashire, and some of those who have considered the subject are in favour of the abolition of county council government and the substitution of larger county boroughs or zonal areas to cover the whole of the area now governed by county councils.

Mr. T. I. Mardy Jones, M.P. for Pontypridd, has already worked out a scheme dealing with the county of Glamorgan on these lines.

It is considered that such a re-arrangement would abolish all future borough extensions as the necessity for any such action would not exist, and that it would bring about a more equitable sharing of the burden of local rates.

22.—It may be noted in passing that in 1901 the Dublin Corporation promoted a Bill to extend the city so as to include the two townships of Rathmines and Rathgar, and of Pembroke, and that a joint select Committee of the House of Lords and House of Commons excluded the two townships mentioned from the extension scheme, but at the same time they called attention to the heavy burdens falling on the city for objects to which the two townships did not adequately contribute, and they expressed the opinion that they should contribute in future. This is in actual operation to-day, so that in this case there is something in the nature of a zonal area.

23.—A Royal Commission on London Government has just issued its report, and it deals amongst other things with the extension of areas and equalisation of rates.

The importance of this matter will be realised from a perusal of the following table showing the number of local government authorities concerned within the Administrative County of London and the area known as Greater London.

ADMINISTRATIVE COUNTY OF LONDON—

London County Council	1
City Corporation	1
The Metropolitan Borough Councils	28
	30

OUTSIDE THE ADMINISTRATIVE COUNTY OF LONDON

BUT WITHIN GREATER LONDON—

County Councils (1 wholly, 4 in part only) ..	5
County Borough Councils	3
Borough Councils (1 in part only)	8
Urban District Councils (1 in part only) ..	64
Rural District Councils (7 in part only) ..	12
	92

122

These figures exclude Boards of Guardians and certain other authorities, viz, Metropolitan Asylums Board, Metropolitan Water Board, Port of London Authority, &c.

24.—The report is too lengthy to be dealt with in this paper, but having regard to what I have already submitted as to the creation of zonal areas out of existing county council areas so as to bring about an extension in the equalisation of local rating burdens, it is, I think, interesting to note the recommendations of the Royal Commission on the question of the further equalisation of the rates in the area known as Greater London.

25.—At the present time the rates of the Administrative County of London are partly equalised by:—

- (a) The Equalisation Fund under the London (Equalisation of Rates) Act, 1894;
- (b) The Metropolitan Common Poor Fund; and
- (c) The Indoor Pauper Grant paid by the London County Council to Boards of Guardians under sect. 43 (1) (b) of the Local Government Act, 1888;

and in the opinion of the Commission the time has now arrived when the system of partial equalisation should be extended.

26.—The recommendations of the Commission which are mentioned are in substitution for, and not in addition to, the foregoing system, which is at present in operation.

27.—It is quite clear from the perusal of the report that the Commission has been careful to avoid doing anything likely to encourage unnecessary expenditure by any local authority; in fact their recommendations are such as to make it impossible for any authority by inflating expenditure to establish any claim to further assistance from the equalisation fund.

28.—It is recommended that an equalisation fund should be established consisting of:—

- (a) The produce of a rate of 1s. 6d. in the £ per annum levied uniformly over the equalisation area to be known as the equalisation rate (general); and
- (b) The produce of a rate of 1s. in the £ per annum levied uniformly over the equalisation area to be known as the equalisation rate (poor).

The total amount produced by these rates would be about £8,000,000 per annum.

29.—The recommendations regarding payments from the fund are as follows:—As it is largely for the day population that the City Corporation and Metropolitan Borough Councils have to incur expenditure on roads, sewerage, scavenging, &c., it is recommended that the produce of the equalisation rate (general) should be distributed among the local government units included in the equalisation area in proportion to the day population of each unit.

30.—With regard to the distribution of the produce of the equalisation rate (poor) special elements have to be taken into consideration. The figures of the night population alone give a primary measure of need in this respect, but they are not sufficient in themselves to show which of the areas for the larger night population are likely to have a large number of applicants for poor law relief, and the Commissioners had regard to the fact that the poorest areas are those in which

there is most overcrowding, and on these grounds they recommend that the produce of the equalisation rate (poor) should be distributed as follows:—

- (a) As to one-third of the produce of the rate in relation to the night population of each of the included unions or parts of unions; and
- (b) As to two-thirds of the produce of the rate in relation to the numbers of the night population of the included unions or parts of unions living in overcrowded conditions, that is, more than two persons to a room.

31.—It will be seen, therefore, that the distribution of the proposed equalisation fund will not depend in any way upon the expenditure of local rates. It is recommended that a uniform system of valuation should be in operation throughout the area before the equalisation scheme is brought into force.

32.—The scheme is to be administered by the Minister of Health, and the accounts of the equalisation scheme are to be kept by his Department.

33.—It is claimed that by this means the working of the scheme will not involve the creation of any new central or local authority or post.

PROFITS ON MUNICIPAL TRADING UNDERTAKINGS.

34.—The burden of rates is indisputable, and the question arises as to what extent this might be lightened, and in what way, and I suggest that certain relief might be found in the successful carrying on of trading undertakings by municipalities and the transfer of part of the profits to the relief of rates.

35.—In the absence of any system governing the relation between profit bearing undertakings and the rating funds of a corporation questions sometimes arise owing to the fact that the tramways, electricity or gas committee view the profits from a point different from that of the finance committee. The former committees feel that they have by their efforts secured profits, and unless they can well afford to do so are rather disinclined to transfer such profits in aid of rates.

36.—In Cardiff, however, this matter has been settled by the adoption of a system under which the trading undertakings of the corporation are expected to transfer, annually, a proportion of their profits to the rating funds, and I feel that such transfer can be justified on the following ground: A municipal corporation is in a position to borrow money for capital purposes at considerably less interest than that which would be paid by a tramways, electricity or gas company, and the reason is that the corporation has power in raising such money, to pledge the rates and the whole of the property of the corporation, and not only the particular undertaking concerned.

37.—There is, therefore, an excellent backing for any loan raised for trading purposes and it should be recognised that the advantage which accrues to municipal trading undertakings by reason of cheap money belongs to the general body of ratepayers, as it is directly brought about by mortgaging their credit.

38.—A fair computation of the difference is, in my opinion, 1½ per cent. of the capital employed, so that if the capital of the electricity undertaking is £1,000,000 it should so regulate its trading that it will be enabled to hand over to the rate fund 1½ per cent. of such capital, or £15,000 per annum.

39.—It will be noticed that I have not included the water undertaking in my remarks as to transferred profits. I have always felt that as water is such a prime necessity of life it should be provided at the least possible cost compatible with the financial stability of the undertaking being properly maintained. I now find that this is very largely the view of the local legislation committee of the present Parliament. I understand that the committee have decided on the principle that profits on water supply should not be applied in relief of rates.

40.—There are indications that the view of the local legislation committee may possibly be made to apply to other trading undertakings as, for instance, tramways, gas and electricity, but notwithstanding this my opinion upon the matter has not at all changed and I feel that the transfer of a sum of money representing 1½ per cent. per annum calculated on the capital of the undertaking is a bare act of justice to the general body of ratepayers.

41.—The foregoing indicates one direction in which rates may be reduced and leads me to the last section of my paper, namely—

LOCAL INCOME TAX.

42.—A subject continually under consideration in municipal financial circles is the growth of the cost of services which, though administered locally, are very largely of a national character, and the increasing rates in recent years has caused a desire on the part of the local authorities for further financial assistance from the Government.

43.—It must, however, be admitted that a comparison between the years immediately prior to the war and the last financial year shows that the percentage of increase in Government grants is higher than the percentage increase in the local rates levied, and the feeling which was expressed so strongly in the past that the Government was not paying its proper share towards services of a semi-national character administered by local authorities is not so well grounded as was formerly the case.

44.—As a preliminary I think it would be helpful to consider the ordinary revenue received into the Imperial Exchequer for the year ended 1922, which was as follows:—

Customs	11.57	per cent.
Excise	17.28	"
Motor vehicles, &c., duties .. ..	.98	"
Estate duties	4.64	"
Stamps, exclusive of fees, &c. ..	1.74	"
Land tax and duty .. .. .	.23	"
Property and income tax, excess profits duty and corporation profits tax ..	39.72	"
Post Office	5.01	"
Crown lands .. .. .	.07	"
Interest on sundry loans, mainly interest on advances under the Land Settlement Facilities Act, 1919, and interest received in connection with stores supplied to the Allies	1.23	"
Miscellaneous, including fees, stamps, &c.	17.53	"
	100.00	per cent.

Customs and excise therefore represent 28.85 per cent. of the whole.

45.—An examination of the list of articles subject to customs shows that every ratepayer in this way makes a considerable contribution to Imperial Funds, and that the poorer classes already pay heavily by way of indirect taxation. For instance, the tax on sugar is now £1 5s. 8d. per cwt. Before the war the tax was 1s. 10d. per cwt., and although it is hoped that taxation on food will be considerably reduced when more prosperous times arrive, even then the indirect contribution towards the upkeep of the State may still be very substantial.

46.—I think the advisability or otherwise of a local income tax can be settled by the answers to the following questions:—

47.—Is the basis on which local rates are at present levied the best that can be devised?

Whether some amendment is not advisable, and

If so, in what direction?

48.—It should be borne in mind that only one class of property is placed under contribution for local rates, and there is a point beyond which real property cannot be rated without depreciating its value, and this depreciation will be evident when the present shortage of houses, &c., is relieved. The only reason occupiers of property are willing to pay the present high rents, and in addition to bear the burden of high rates, is because they are compelled to do so, and although some may be inclined to dismiss the matter by airily referring to the law of supply and demand, this will not remedy the present situation, which is of great importance not only to those primarily concerned, but to every person in the country, for it is clear that a tradesman must recoup himself for high rents and rates by adding to the price of the goods he sells.

49.—It is admitted that there is a distinct shortage of houses in the United Kingdom, but this ought not to prevent us considering whether the local rates are fair and just to all concerned and levied on a correct basis.

50.—It seems to me that there are only two tests which can be applied in order to ascertain whether a person making his contribution to local rates is justly treated or not: One is the adjustment of the burden in accordance with benefits received, and the other ability to pay. Now payment in accordance with benefits received breaks down at the onset. For instance, there would be no contribution from any parent towards the education rate if he were educating his children at an establishment not controlled by the local authority; a person who has a garden and grounds, and therefore has little or no use for the public parks, ought to pay little towards their upkeep.

51.—To attempt to charge rates on the basis of benefits received would bring about indescribable confusion. We are therefore left with the second test, namely, ability to pay, and I submit that the present contributions made by the individual ratepayer bears no relation whatever to his ability to pay.

52.—To further illustrate the injustice of raising the main portion of the money required for local expenditure by rates as we at present understand them, take the case of two persons

engaged in trade. One occupies a shop rated at £500 per annum, rates at 13s. 4d. in the £; the trader will pay into the local exchequer £333 per annum, and I think he will regard himself as being successful if he secures a net profit of £1,500 per annum, whereas a person engaged in another business is able to rent an office the rateable value of which is £100, rates thereon £66, and he may secure a net profit of from £5,000 to £10,000 per annum.

53.—The doctrine of ability to pay in this instance is conspicuous by its absence, and I incline to the view that in addition to the rates a local income tax levied to meet a part of the cost of local services would more evenly distribute the existing and prospective burdens.

54.—In connection with a suggested local income tax, I desire to refer you to the excellent work on National and Local Finance by Dr. J. Watson Grice, D.Sc. (Econ.), London, an extract from which is as follows:—

“On the Continent the most notable attempt to place local taxation on a scientific and logical basis of correlated contributions, in accordance with the canons of faculty of ability and interest, is furnished by the Prussian law of 1893. Although the administration of the law is intended to be elastic, yet, broadly, local revenues must be raised by, first, payments in the form of dues or fees for services rendered to particular persons, which must be regarded as the first and main support of municipal expenditure; and secondly, general taxes, consisting of (a) taxes on certain forms of wealth for meeting that portion of local expenditure which confers special benefit on certain persons or classes, and which is not recovered by ‘dues,’ and (b) taxes on general wealth, as expressed in terms of annual income, for covering the expenditure of the local authority on services of national concern and general utility, which cannot be said to bestow more benefit on one person than another.

“The principal canon as laid down in the law is that taxation should not be resorted to till all other methods of procuring revenue shall have been tried and found insufficient. A municipal authority undertaking any form of municipal service must arrange its scale of charges so that all expenses may be covered, including interest and sinking fund. Moreover the central Government encourages and recommends the local body, wherever possible, to make a profit, which must be applied in general relief of taxation, and not to any particular purpose. So that inordinate profits may not operate as disproportionate indirect taxation of the necessities of life, the authorities are expressly prohibited from insuring anything beyond a small return on such institutions as public slaughter-houses, &c.

“If, as is usual, taxation is necessary, the authority is instructed to levy the taxes on (a) land and building, and (b) trade, on the principle of direct benefit, and (c) on income, as the measure of general ability only if the proceeds of indirect taxation are insufficient. The resort to indirect taxation is thus encouraged as the primary method of obtaining tax revenue.”

55.—In giving evidence on February 20th, 1909, the following statement was made by the British Consul-General at Frankfort-on-Maine:—

"It is to-day generally recognised that the system prevailing in Prussia is thorough and just. The law of 1891 introduced the self-assessment or 'déclaration' of those enjoying an income of 3,000 marks or more. The results of this innovation have proved nothing short of splendid . . . the honesty prevailing in these self-assessments was a surprise even to the optimists."

56.—Some years ago I was in communication with the British Consul at Frankfort-on-Maine and he very kindly furnished me with particulars relating to local income tax levied in that town which represented a much larger percentage of the whole local revenue than I should care to suggest if the system were applied in this country, as such an imposition for local purposes might seriously limit the elasticity of the Imperial tax, and would I think be undesirable in many ways; and I think that I should add that, writing with an intimate knowledge of both the English and Prussian systems, he expressed a very firm opinion that the latter was preferable and more equitable than our own.

57.—In any system which might be introduced relating to local income tax a fair division would have to be made of tax levied on profits in one area forming part of the income of a person resident in another area, and although I am well aware of the difficulties which such adjustment would create, still it does not appear to me to preclude further inquiry into the feasibility of a local income tax.

58.—There is not sufficient time at my disposal to submit my views as to the lines upon which local income tax should operate, but I venture to make the following suggestions:—There should be no element of abatement similar to that which now obtains with reference to Imperial tax. All occupiers of rateable property when earning wages or salaries should be called upon to pay on a graduated scale with a minimum and maximum, and the proportion that such tax should bear to local rates should be fixed by an Act of Parliament. With reference to the collection of tax from those persons who are at present exempt from the Imperial income tax, this should be brought about by a deduction from their wages, earnings up to £52 per annum being exempt. In all other cases by an addition to the present income tax payment, such sums to be collected by the Inland Revenue Authorities, who would periodically hand over the proceeds to the local authorities concerned. It appears to me that this would be a better plan than the one of looking to the Government for further grants in aid, as any substantial increase in this direction would mean additional general taxation, carrying with it as a natural consequence increased Government control. This latter should be guarded against, as such increased control would tend to decrease the importance of local government, and this would be distinctly a backward step. The question is admittedly full of difficulties, but they can be overcome, and, although I am aware that the Departmental Committee on Local Taxation reported against

it in 1914, the point which I desire to bring to your notice is whether or not a local income tax would cause local burdens to be distributed more equitably than at present? and if the answer is in the affirmative I have sufficient faith in the business ability of all concerned to lead me to believe that the necessary machinery could be introduced.

Discussion on Mr. John Allcock's Paper.

MR. ARTHUR COLLINS (London), in opening the discussion, paid a tribute to the excellence of Mr. Allcock's paper, and said there were two aspects of the subject with which he proposed briefly dealing that morning. The first was the relationship existing between the ratepayers *inter se*, and, secondly, the relationship existing between the ratepayer on the one hand and the taxpayer on the other. Whatever system was adopted, it was perfectly clear that the ratepayer as ratepayer would have to bear the greater burden of the cost of local government. It was inevitable that it should be so, otherwise they would divorce the control of expenditure from the source of income. The practice of apportioning the charge for local government on the value of the premises a ratepayer occupied had been subjected to much criticism, and all sorts of alternatives had been offered for it since its institution in 1603. But the criticism was generally destructive, and the alternatives usually broke down when they were examined in the light of constructive policy. In practice was there a better alternative to the present system? If a man with a comparatively good income cared to live in a small house he might escape a little of the burden of local rates, but he was caught out in the income tax. The question was what was the balance to be established between the ratepayer as ratepayer and the ratepayer as taxpayer? One fact would probably suffice to cause a modification of views that many held on this matter, and that fact was that Government grants in aid of local services called upon the taxpayer to contribute approximately one-third of the cost of local government. As to whether the taxpayer should pay more and the ratepayer less was a very controversial matter, but the more the costs of local government were defrayed by the taxpayer the less control would there be over the expenditure. (Hear, hear.) On the other hand, the view was commonly expressed that the costs of local government were materially increased by the expenditure on services such as education and the police, which were practically national in character, and the cost should therefore be borne by the national exchequer. But again the question of control arose there. Would the parents care to have the control of their children's education taken out of the hands of local educationalists and placed in those of a Government official? Again, would the people of the country choose to have the police force mobilised as a State force, like soldiers? There was only one answer: No. Then local control meant local responsibility for the cost. He did not see how any material departure from that rule would improve things. On the contrary, he feared that departure from the rule would do injury. If the taxpayer already paid one-third of the cost of local government services there was excellent ground for opposing the imposition of local income tax. The greatest difficulty in connection with local income tax was its localisation. If they took the case of South Wales as an example they could imagine the controversy that would arise between the local people, who would say: We will have the whole produce of the income tax on the Welsh coal combines; and the national body, who would say: We will give you only the dividends paid to the people in your territory. He did not say that Mr. Allcock was wrong, but he wanted to know how it was going to be done before he subscribed to the

arrangement for a local income tax. The present view seemed to be that since local income tax was deemed to be impossible, the solution of the troubles of the ratepayer were to be found in a more equitable and scientific distribution of State aid, and to that view he personally inclined. His earnest plea was that nothing should be done that would take away the direct interest of the local ratepayer in economical administration. Things were bad enough now when a joint stock company could pay one-third of the whole of the rates in a town and yet were deprived of the vote, but they could generally rely upon the common sense of the people whom the local ratepayers elected on their local governing body. The position would be impossible if the local authority was given the power of spending money without very much concern as to where that money had to come from. (Applause.)

Sir HARRY HAWARD said that in respect to local income tax Mr. Allcock seemed to have rushed in where angels have feared to tread. Mr. Allcock said that there were difficulties, but that those difficulties could be overcome, yet he had given no indication of the way in which they were to be overcome, and that was the root difficulty of the whole matter. The question of a local income tax was certainly very attractive, but it had been very fully investigated by the Royal Commission on Local Taxation in 1900, and again by the Departmental Committee on Local Taxation in 1914, and both bodies had arrived at the conclusion that they could not recommend its adoption. He could not imagine what had happened since then to make the scheme any more feasible, desirable or practicable than it was then. He was not so sure that the scheme had had so much success in Germany as some people claimed for it. Mr. Collins had indicated one of the main difficulties, and that was whether regard had to be had to the place where the income was earned or to where the recipient of the income lived. That was a tremendous difficulty to start with, and he was not aware that any suggestion had yet been made as to how that might be overcome. Again, he would be glad if Mr. Allcock would indicate whether he contemplated the local income tax as an addition to the present system of Government grants, because he seemed to indicate that the Government grants on their present scale would go on. There was another matter to which Mr. Allcock had made reference in which he was more particularly interested, and that was the question of the allocation of the profits of municipal trading enterprise to the relief of local rates. His present duties led him to be very much concerned in the supply of cheap electricity, and he noted that Mr. Allcock was in favour of local electricity concerns in municipal hands making a profit in aid of local rates. It was true that Mr. Allcock put a limit to the amount of the profits which could be so transferred, and thought that it would not be fair to transfer more than 1½ per cent. on the capital employed, but to the extent to which that money was carried to the relief of rates by so much was the cost of electricity to the general consumer increased. He thought they would all agree that the supply of cheap electricity would benefit a town in numerous ways, and particularly in bringing increased business facilities to the town. It was not only a question of cheap electricity to domestic users, but also a question of the supply of cheap power; therefore one must view with some apprehension any policy that would transfer from the excellent electricity undertaking of Cardiff any moneys for the relief of Cardiff's rates. (Applause.)

Mr. T. I. MARDY JONES, M.P., in addition to his congratulations to Mr. Allcock on his paper, said that if he were addressing the House of Commons on a question of local rating he should feel as great confidence as a teacher taking a class of children, because he would know that they knew nothing of the subject, but he would not venture to address a conference of experts, such as accountants were, in that spirit. (Laughter.) He was afraid the time was a long way off when Parliament would be considering the question of local income tax in connection with which Mr. Collins had so clearly outlined the difficulties. Still, the subject was a fascinating one. They had to realise that the great bulk of the expenses which were incurred to supply local needs must be borne by the local inhabitants. On the other hand it was increasingly evident that local government was overburdened by charges for what were semi-national services. (Applause.)

Mr. W. H. ASHMOLE (Swansea) welcomed the new Rating

and Assessment Bill, though he confessed he would have liked to see the nomination of the assessment committees, which were to be taken from the guardians and appointed by the county boroughs, further extended by the provision of some means whereby the assessment committees could be made more representative. It had been suggested that Chambers of Commerce and similar bodies should be given representation on the assessment committees, and it would be a real advance if some means could be found whereby business men could be appointed in some representative capacity. Unlike Sir Harry Haward, he found himself very largely in agreement with Mr. Allcock's contention that the local rates should be relieved by the transference of profits from the municipal trading undertakings. It had always seemed to him quite wrong in principle that the ratepayers should be compelled by law to foot the bill if there was any loss on such undertakings, and yet be expected to take no profits when the undertakings were successful. He thought Mr. Allcock's method of taking a definite percentage on the capital was a fair one. So far as local income tax was concerned he was entirely opposed to it, since he regarded it as absolutely unworkable. Nor did he agree that there were only two methods of assessing the amount to be paid, viz (i) benefits received and (ii) ability to pay. There was a third method, that of "occupation," which was in his opinion as fair as any system could be. Although the present system had been in existence for centuries there had never been a reasonable system suggested to take its place. What was wanted was not a mere redistribution of burdens, and Mr. Allcock's method would only do that. What was really wanted was some lessening of the total burden either by some new method of income or by the discovery of some means of reducing the total expenditure. Rates were a tremendous burden on business, but he was far from convinced that that burden was going to be reduced by the adoption of the local income tax. Rather, he feared that it would increase the burden. (Hear, hear.)

Mr. H. MORGAN (London) did not think that any of them in their professional practice had found such general satisfaction in the case of income tax assessment as Mr. Allcock had said had characterised the acceptance of the new assessment of the Cardiff authority. Income tax was a necessary evil, but so far as possible its extension should be resisted. Under the present system it was impossible if not difficult to evade the rate, whereas they were constantly hearing of the evasion of the income tax. There was an impression in the minds of nearly everybody that there was a good deal of trickery about the income tax, not in the way it was administered by the officials, but rather in the nice distinctions as to what was loss of income and what loss of capital. In his opinion a great deal of the unsatisfactory condition of trade in the country could be traced to the burden of taxation which frightened people with capital. The Government took 25 per cent. of a company's profits, but bore no part of any loss that might be sustained in trading. Really the 25 per cent. was only a nominal figure since a great deal of loss and expenditure was not allowed for purposes of income tax, so that 25 per cent. was taken of a sum considerably greater than the real profits that a trader might make. An extension of that method of taxation must accentuate to some extent the difficulties of trade in the country to-day. There were several points that Mr. Allcock appeared to have avoided in his paper that went to the root of the local income tax. For instance, was it suggested that the rate should be a uniform rate all over the country, or was each municipality to be allowed to determine the amount of the tax? If the latter, then he trembled to think what would happen to the poor ratepayers of Poplar. (Hear, hear.)

Mr. F. J. WARREN (Haverfordwest) declared that what needed to be remedied most to-day was the inequality of the burden borne by the national taxpayer. A married man earning £300 a year only paid tax on £35, and then at a reduced rate, and contributed comparatively nothing to the cost of education, roads, police, and public health services. The heavier taxpayers were bearing too great a proportion of these burdens while receiving no greater benefit than the smaller taxpayer. There had been a struggle between ratepayer and taxpayer ever since ratepaying and taxpaying became statutorily compulsory, and just at the present the taxpayer was getting the worst of it. Take the main roads: the State provided

one-half the cost of their maintenance; the ratepayer, who was not a taxpayer, bore only one-half the cost of that maintenance, whereas the unfortunate being who was taxpayer as well as ratepayer had to bear the whole. Those were the questions to which people should direct their attention. If the income tax basis was broadened down and more people roped in, less would be heard of costly road constructions and of the Utopian education schemes of political visionaries. Their province as accountants was to show the nation and the municipalities how to economise, and so to help the present generation out of the tremendous financial difficulties before it. Adjusting assessments would not alter the amount of deficit to be raised, though they would distribute the rate burdens less inequitably between the ratepayers. He feared that a local income tax was not practicable to-day with income tax at the figure at which it stood, but it was no new idea, for Mr. Goschen, in 1868, was prepared to consider putting 1d. on the income tax, the yield to be handed over to the local authorities. If that were done it might take the place of Exchequer grants.

Mr. A. MART (Cardiff) said that the ordinary professional member seemed to be at a disadvantage that morning in discussing the equalisation scheme of the Rating Bill since that Bill seemed to have been circulated only to the municipal officers as yet. The position as between the local income tax proposals and the present methods of raising local rates was very debatable, but he understood that the position of the continental countries that had adopted the principle of the local income tax was not analogous to their position since in those countries there was no Imperial taxation.

Mr. JOHN ALLECOCK, in his reply, confessed that the proposal for local income tax was not his own idea, but had been incorporated in it by order of the District Society Committee, who had suggested a paper solely devoted to that subject, an order he had refused to carry out in its entirety, but with which he had temporised by including it in his general paper. Personally he did not think the present time was opportune to take up the question of the local income tax. Indeed, with the national income tax standing at its present figure, it was about the worst time to introduce the subject. He had not set out either that morning or thirteen years before, when he had first read a paper on local income tax before their Conference, to preach a new heaven and a new earth, but much that had been said that morning did not touch the real point. All that he was anxious for was that they should bear the local income tax in mind, for he did not regard the findings of the august bodies that had discussed it in the past as conclusive. If there was any good in it let it be discovered, but if there was no good in it then let them consign it to the waste paper basket. Having regard to the position held by Sir Harry Haward he could quite understand that he looked askance at the proposals for transferring profits from trading undertakings to the relief of rates such as had materialised in Cardiff, but he would like to ask Sir Harry if he did not recognise that it was the general body of ratepayers who had brought about the state of affairs which had enabled the electricity undertaking to pay the profits by pledging their credit and borrowing money at a cheaper rate than any private electricity undertaking could obtain money at. It was because the communal credit had been pledged that he suggested that the undertaking, when on a profit earning basis, should contribute the $1\frac{1}{2}$ per cent. to the relief of the rates, for that percentage was slightly less than the difference between the price at which a municipality and a private undertaking could obtain loans. Mr. Warren, in his remarks about the main roads, seemed to have overlooked the substantial contribution that the motorists made to the upkeep of those roads. Nor could he agree about the inequalities of the income tax. A man with £300 a year and a wife and children had not too much to live in decency. (Hear, hear; applause.)

A vote of thanks to Mr. Allecock for his paper was passed on the motion of Mr. ARTHUR E. GREEN (London), seconded by Mr. C. HEWETSON NELSON (Liverpool), both of whom congratulated the City Treasurer on his paper.

In the afternoon the members were the guests of the Earl of Plymouth at St. Fagan's Castle.

DINNER AT THE CITY HALL.

(By kind permission of the Right Hon. the Lord Mayor and Corporation.)

A distinguished company supported the President, Mr. George Stanhope Pitt, F.S.A.A., at the Conference banquet, which was held in the City Hall, Cardiff, on Thursday, October 4th. Amongst those present were Mrs. Stanhope Pitt; the Lord Mayor and Lady Mayoress of Cardiff (Alderman Dr. and Mrs. J. J. E. Begg); the Mayor and Mayoress of Newport (Mr. Edward Davies and Mrs. A. H. Lewis); Lord Pontypridd; Sir Wm. Graham; Sir James and Lady Martin; Sir Thos. Hughes; Sir Harry Haward (Electricity Commissioner, London); Mr. J. C. Gould, M.P.; Mr. Lewis Lougher, M.P.; Mr. T. I. Mardy Jones, M.P.; Mr. Emlyn Jones, M.P.; Mr. W. J. O'Brien, M.L.A. (Pietermaritzburg); Principal Trow, D.Sc. (Cardiff University College); Principal F. Sibby, D.Sc. (Swansea University College); Mr. Illyd Thomas; Mr. and Mrs. John Allcock; Mr. Cecil G. Brown; Mr. H. S. Metcalf; Mr. J. L. Wheatley; Mr. W. E. Hinde; Mr. Chas. E. Dovey; Mr. John Duncan; Mr. H. J. Smith, M.B.E.; Lieut.-Col. D. Watts Morgan, C.B.E., D.S.O., M.P.; Mr. F. Walmsley (Manchester) (Past President); Mr. A. E. Green (London) (Past President); Mr. C. Hewetson Nelson, J.P. (Liverpool) (Past President); Mrs. Hewetson Nelson; Mr. A. E. Woodington (London) (Past President); Mrs. Woodington; Mr. W. Claridge, J.P. (Bradford) (Past President); Mrs. Claridge; Mr. E. W. C. Whittaker (Southampton); Lieut.-Col. J. Grimwood, C.B., D.S.O., O.B.E. (London); Mr. J. M. Fells, C.B.E. (London); Mr. D. J. Barron Curtis (Bath); Mr. H. J. Allen (Sheffield); Mrs. H. J. Allen; Mr. N. Booth (Belfast); Mr. J. Paterson (Glasgow); Mr. Alan Standing (Liverpool); Mrs. Alan Standing; Mr. Richard Smith (Newcastle-on-Tyne); Mr. E. W. E. Blandford (London); Mr. G. E. S. Heyburne (Newport); Mrs. Heyburne; Mr. P. H. Walker (Cardiff); Mrs. Walker; Mr. H. Toothill (Sheffield); Mr. A. E. Pugh (Newport); Mrs. Pugh; Mr. O. Stallwood (London); Mr. S. Pearce (Chorley); Mr. S. Duddridge (Stroud); Mr. L. Duddridge (Stroud); Mr. H. Williams (London); Mr. L. R. Williams (Cardiff); Mrs. Williams; Mr. J. Wallace Williams (Cardiff); Mrs. Wallace Williams; Mr. R. A. Richards (Cardiff); Mrs. Richards; Mr. W. J. Pallot (Cardiff); Mrs. Pallot; Mr. R. N. Barnett (Cardiff); Miss M. W. Hawkins; Mr. A. Mart (Cardiff); Major P. E. Robathan (Cardiff); Mr. A. Shankland (Cardiff); Mrs. Shankland; Mr. A. B. Watts (Cardiff); Mr. W. E. Watts; Mr. L. D. Ashton; Mr. E. Claude Jones (Cardiff); Miss Blow; Mr. Gwilym Tieharne; Mr. P. H. Stafford (Newport); Mr. C. L. Parry (Cardiff); Mr. R. Leyshon (Cardiff); Mr. H. Morgan (London); Mrs. H. Morgan; Mr. H. J. Burgess (London); Mr. R. A. Witty (London); Mr. H. MacMillan (Belfast); Mr. A. Macintyre (Hamilton); Mr. W. Eaves (Manchester); Mrs. Eaves; Mr. J. Davison (Newport); Mr. J. C. Cryer (Leeds); Mr. G. T. Hancock (Pontypridd); Mr. D. W. Evans; Mr. F. J. Alban (Cardiff); Mrs. Alban; Mrs. Hopwood; Miss Green; Mr. F. Sharman (London); Mrs. Sharman; Mr. C. R. Whitnall (Liverpool); Mr. E. Holbrook (Cardiff); Mr. J. P. Brodie (Buisleam); Mrs. Brodie; Miss Brodie; Mr. N. Duxbury (Blackburn); Mrs. Duxbury; Mr. J. Hopkins (Pentre); Mr. Rhys Morgan; Mr. E. Williams David; Mr. T. E. Hudson (Bradford); Mrs. Hudson; Mr. John Elliott (Manchester); Mr. A. W. Kenyon (Manchester); Mr. Evan Lloyd; Mr. M. S. Pullan (Leeds); Mr. Halvor Piggott (Manchester); Mrs. H. Piggott; Miss Piggott; Mr. W. D. Elgar (London); Mr. J. V. Harris; Mr. G. D. Vaughan; Mr. Norman E. Lamb (Newport); Mrs. N. E. Lamb; Miss H. M. Claridge (Bradford); Mr. C. E. Claridge; Mr. W. Gaunt (Leeds); Mr. E. W. Jones; Mrs. E. W. Jones; Mr. F. Reed (Newport); Principal Coles, B.Sc.; Mr. A. E. Piggott (Manchester); Mrs. Piggott; Mr. Tudor Davies (Bridgend); Mr. W. R. Marshall; Mr. G. V. Vicking; Mr. R. Bell (Belfast); Mr. J. Baird (Belfast); *South Wales News*; *Cambria Daily Leader*; *Western Mail*; *South Wales Argus*; *South Wales Post*; *The Daily Telegraph*; *The Press Association*; *The Accountant*; *The Incorporated Accountants' Journal*; Mr. A. J. Magennis (Cork); Mr. A. H. Walkey (Dublin); Mrs. Walkey; Mr. J. Picton James (Swansea); Mr. I. C. Phillips (Swansea); Mr. W. McIntosh Whyte (London); Mrs. McIntosh Whyte; Mr. F. A. Webber (Bristol); Mr. E. S. Hare (Bristol); Mr. W. H. Charles (Llanelli); Mr. H. Edwards

(Swansea); Mr. T. Mills (Swansea); Mr. G. Brinley Bowen (Swansea); Mr. A. H. Lewis; Mr. R. A. Weatherall (Swansea); Mr. W. H. Ashmole, M.B.E. (Swansea); Alderman J. T. Richards; Mr. F. Woolley (Southampton); Mrs. Woolley; Mr. C. W. Clark (Bristol); Mr. E. G. Howells (Swansea); Mr. A. E. Gibson (Llanelli); Mr. W. G. Miles (Swansea); Mr. J. Lake (Swansea); Mrs. Hewitt; Mr. Harold Ellis; Mr. H. L. Horsfield; Mr. R. Lane; Mr. P. Dodington; Mr. F. E. Andrews; Mr. G. C. Morley New; Dr. Broad; Mr. J. A. Wood; Mr. J. J. Jackson; Mr. A. P. Horton (Cardiff); Mr. Moses Thomas; Mr. W. Picton Jones (Swansea); Mrs. Picton Jones; Mr. B. Camron, M.D.; Mr. A. W. Horton (Cardiff); Mr. H. T. Jones; Mr. J. P. Jones; Mr. T. Peirson Frank; Dr. R. N. Picken; Mr. A. A. Pettigrew; Mr. H. J. Tipping; Mr. J. A. Wilson, M.B.E.; Mr. H. Reynolds (Bradford); Mrs. Reynolds; Mr. E. R. Thomas; Mr. B. S. Johns; Mr. F. Brown; Mr. A. W. Heard; Councillor C. F. Williams; Mr. T. Morris Prosser; Mr. N. T. J. Moses; Mr. W. J. T. Collins; Mr. A. T. Bryant; Mr. J. R. Taylor; Mr. D. Davies; Mr. J. Moxon; Mr. E. Mills (Newport); Mrs. Mills; Captain G. Buchanan Bailey, D.F.C.; Dr. D. Roeyn Jones; Mr. R. Wilson Bartlett (Newport); Mr. E. Coulman; Mr. E. Emerson Davies; Mr. B. C. L. Thomas, M.C. (Newport); Mr. F. J. Alger; Mr. O. Treharne Morgan; Mr. G. B. Loyns; Mr. G. R. Bennett; Mr. T. Sydney Jones; Mrs. T. Sydney Jones; Mr. E. W. Howell; Mrs. Howell; Mr. Thos. Edwards; Alderman W. B. Francis; Mr. M. Pennant Jones; Mr. T. W. Langman; Mr. J. T. Phoenix; Mr. A. Thom; Mr. F. W. Ogg; Mr. J. P. Mountjoy; Mr. F. J. Warren (Haverfordwest); Mr. B. Warren (Haverfordwest); Mr. F. E. Todd; Engr. Lieut.-Comdr. W. H. Reynolds, R.N.R.; Mr. J. W. Blackham (Birmingham); Mr. J. J. Bryson; Mr. W. J. Bennett (Cardiff); Mr. A. T. James; Captain D. A. R. Humphrey; Mr. J. R. Roberts; Mr. D. J. A. Brown; Mr. Ifano Jones; Mr. D. Kenyon Rees; Mrs. Kenyon Rees; Mr. R. E. G. Dovey (Cardiff); Mrs. Dovey; Mr. J. P. Griffiths (Cardiff); Mr. A. J. Popham; Mr. C. E. McLay; Comdr. Godfrey Dendy, R.D., R.N.R.; Mr. T. N. T. David (Cardiff); Mr. Edgar Jones; Mr. D. R. Lloyd; Mr. Hy. Farr; Mr. E. S. Williams; Mr. W. Judd; Mr. W. C. Westlake; Mr. C. B. Steed (Bristol); Mr. J. H. Lord (Bacup); Mr. C. F. Sanders (Cardiff); Mr. J. C. Loughridge (Dublin); Mr. A. J. Johnson (Winchester); Mr. H. J. E. Batchelor (Southampton); Mr. C. G. Jolliffe; Mr. F. S. May; Mr. E. James; Mr. C. L. Coles; Mr. W. Dyche; Mr. T. W. Dockett Smith; Mr. W. F. Jackson; Mr. H. Read; Mr. W. H. Guest; Mr. M. H. Groves (West Hartlepool); Mr. T. W. Dresser (Leeds); Mr. P. A. Hayes (Cardiff); Mr. C. S. Lashmore (Cardiff); Mr. R. J. Rimell; Mr. Alfred Nixon (Manchester); and Mr. A. A. Garrett, B.Sc., Secretary.

"The Lord Mayor, the Corporation and City of Cardiff."

Following the loyal toasts, the PRESIDENT, in proposing "The Lord Mayor, the Corporation and City of Cardiff," rejoiced that distinguished men were always ready and willing to come forth at no small sacrifice to themselves to devote their services to the welfare of municipal government. (Hear, hear.) He then alluded to the municipal financial system of Britain as the envy of the world, and recorded with pleasure the fact that the closest co-operation existed between the Incorporated Accountants and the Institute of Municipal Treasurers. That co-operation had greatly assisted in the establishment of the municipal financial system that existed throughout the country. He could not think of a better example of the interest that existed in their work on the part of members of the Institute of Municipal Treasurers than Mr. John Allcock, who had done magnificent work in the accounting world, and whose services as City Treasurer he was sure they all recognised. Following a reference to the Welsh passion for education, Mr. Pitt instanced the example of Sir Pritchard Jones, who, when he amassed a large fortune, devoted a large portion of it to the Universities of Wales. Dealing with the city of Cardiff, the President said he had learned with pleasure that it was a city without slums—a record which he feared was unique in the whole country. He regarded that fact as the greatest tribute to their civic government and congratulated Cardiff on its enviable record. (Applause.)

The LORD MAYOR, responding, said that the city of Cardiff was a large business undertaking. They spent more than £12,000 a week in wages and employed over 2,500 employees. The people of Cardiff took a tremendous amount of civic pride in their city, and that fact had been remarked upon by many distinguished visitors during his year of office. In Cardiff they hoped that they were legislating for the next generation as well as their own. Cardiff naturally identified itself with the little country of Wales, the outstanding characteristic of whose people, like the people of Scotland, was their intense longing to give their children a good education. Unlike Scotland, Wales had had no wealthy men like Mr. Carnegie to endow its Universities, and so the Welsh people had undertaken to provide their own university education, and so far as he knew they were the only people who had voluntarily levied a rate upon themselves to provide that education for their children. Cardiff had further levied itself a voluntary $\frac{1}{2}$ d. rate for the medical school. (Applause.)

"The Parliaments of the British Commonwealth."

Sir JAMES MARTIN, Past President, who had a warm reception, in proposing "The Parliaments of the British Commonwealth," prefaced his remarks by expressing the pleasure it gave him to see their old friend Lord Pontypridd amongst them. Dealing with the toast, Sir James said that he had a different angle of vision in regard to Parliament from the ordinary citizen who only came in contact with it as an elector, for as their Secretary he had known Parliament intimately as a lobbyist and a Parliamentary witness for 30 years. In those capacities he had obtained a far wider knowledge of Members of Parliament than was accorded to the ordinary man. As a Parliamentary witness he would like to say that they had one of the greatest of Parliamentary witnesses with them that night in the person of Sir Harry Haward, and another Parliamentary witness who was held in high esteem was their friend Mr. J. M. Fells. After some reminiscences of historic debates and House of Commons experiences that had come within his own experience, Sir James rebutted the declaration of the pessimists who declared that the House of Commons was not what it was in days gone by. No greater disservice could be done to the country than to declare that its electors were not fit to return proper persons to the House of Commons. What the nation suffered from was a too great concentration of news that prevented it being presented to the people with the proper light and shade. His own dealings with the House of Commons had led him to the conclusion that the members of the House of Commons were correctly described as honourable gentlemen. (Hear, hear.) Unemployment had cast a shade over the minds of every thinking man and woman, and when they considered the magnitude of the problem that the House of Commons had to face in dealing with that problem alone he was sure that accountants would accord to members of both Houses their most hearty and consistent support. (Hear, hear.) Recalling his own visits to the old Cape Houses of Parliament and the old Natal Parliament, Sir James expressed the warmth with which they all welcomed amongst them Mr. W. J. O'Brien, a Member of the Parliament of the Union House of South Africa, now in England with his leader, the great General Smuts, in connection with the Economic Conference. (Applause.)

Mr. T. I. MARDY JONES, M.P., responding, was glad to hear Sir James Martin declare from his wide experience that he had found the Members in this, as in previous Parliaments, fairly decent men. He trusted that they would all remember that the Members of Parliament were only human beings like themselves. There were moments in the life of Parliament when that humanity was deeply touched, and all forgot party and all were for the State. He trusted that that humanity would be touched when Parliament reassembled and addressed itself to the great problem of unemployment. The past 30 years had witnessed many revolutionary changes in the political life of the nation, and to-day the British Parliament and its daughter Parliaments beyond the seas stood as the freest and cleanest political institutions in the world. Whatever changes were to be carried out in the future would, he was sure, be carried out without danger to the British Empire. There were two tendencies discernible in the country to-day. The first was the tendency towards devolution, by which the purely local work of legislation would be relegated

to provincial houses in England, Scotland and Wales, and the Mother Parliament relieved of private Bills and allowed to concentrate its attentions on truly national, foreign and Imperial affairs. The second great tendency, which was not quite so apparent, but which was inevitable, was in the direction of the evolution towards the concentration of Imperial affairs into an Imperial Parliament. That he regarded as an absolute necessity for the safety and integrity of the British Empire. The British Parliaments were the safety valves against revolutionary outbursts in our political life. (Applause.)

Mr. W. J. O'BRIEN, M.L.A. (Pietermaritzburg), who was warmly received, also responding, said that the Mother Parliament was the model upon which the Dominion Assemblies had moulded themselves, trying always to follow its fine traditions but not following it too slavishly. He had had the privilege in the old Natal Parliament of promoting a successful Accountants' Bill, showing the way in creating legislation for the honourable profession of which he was proud to be a member. (Hear, hear.) Soon after union an attempt was made to introduce in the Union Parliament a Bill for the incorporation and registration of accountants. That had failed, but he hoped to introduce a Bill in the next Session of Parliament which would have as its object the incorporation of accountants in the Union of South Africa, and he believed that the Government would afford them sympathetic assistance in the matter. Referring to the Economic Conference which he was attending, Mr. O'Brien said that it was interesting to hear the various representatives of the Dominion Governments lauding their own countries in true patriotic fashion, yet all joining in their love and admiration of dear old England. They all acknowledged the tremendous burden that England had taken on her shoulders, and they had come honestly and truly to help in sharing in that burden. It was only by mutual goodwill and drawing closer together, if that were possible, that they could make the world better than it was. England had once saved Europe, and more recently she had saved the world, though the people of England in their honest, dear, obtuse way did not know what they had done. He would like to bear testimony to the love and affection felt in the Dominions for the old country. Even to the third and fourth generation the children as they grew up talked of that country not as England, but as home. The real problem that had to be solved to help England and the Colonies was the problem of Empire communications. What the Dominions wanted also was population. They were able to take Britain's surplus population, and in that way they could contribute something to the solution of the terrible problem of unemployment with which the old country is faced. (Applause.)

"The Guests."

Mr. JOHN ALLCOCK proposed the toast of "The Guests," to which Sir WILLIAM GRAHAM, J.P., responded in a witty after dinner speech.

"Trade, Commerce and Industry."

Briefly proposing "Trade, Commerce and Industry," Mr. CHARLES HEWETSON NELSON, J.P. (Liverpool), thought that the trinity had been reversed, since without industry there could be no trade and no commerce. What was wanted at the present moment was more industry on the part of the workers, more industry on the part of manufacturers, and greater industry in the distributors. (Hear, hear.)

Mr. J. C. GOULD, M.P., responding to the toast, said they were all grateful for the recrudescence in the tin-plate trade to which Mr. Hewetson Nelson had referred, but out of the hundreds of thousands of workers employed in South Wales, only some 30,000 were engaged in the tin-plate industry. And, unfortunately, that was the only trade in South Wales that was showing any great signs of prosperity. The tin-plate industry was doing well because no other country had been able to find the men, the machinery, the means, the water, or the conditions of the industry that would allow them to transfer that trade to another country. But that part of the country subsisted mainly by the fact that nature had given them great deposits of coal. During the past twelve months they had seen a great extension of the

demand for the natural commodity which South Wales produced, but that demand had been brought about by political adventures which, alas, would probably in the near future have reflexes which might have a very detrimental effect on their trade. During the first eight months of the year their export increased to the extent of over 14,000,000 tons, and the whole of that went to France and Germany. But not even in these dark and hard days did he think for one moment that the trade and industry of Britain was destined to come to a finish, but he did think that they had temporised with the spirit of compromise too long. During the great boom years from 1916 to 1920 they had promised every kind of social reform in the belief that it was possible. Now they found that with one and a half million unemployed they had not the means to do it, and they had got to make it plain that the burdens could not be carried if they were not to sink to a common level of bankruptcy. They had maintained their credit at the sacrifice of their capital, and to-day industries were idle because they had not the capital to put into them. What ought to be done was to stop the money of the taxpayers being spent in unproductive work and turned into productive channels.

"The Society of Incorporated Accountants and Auditors."

Sir HARRY HAWARD, proposing "The Society of Incorporated Accountants and Auditors," said that great developments in the work of accounting had taken place during the past 50 years. The profession grew with rapidity following the passing of the Companies Acts, and more recently extra work had fallen upon them in connection with death duties, income tax and the like. The accountant was one of the few people in the country who rejoiced in the complexities of taxation. It was quite impossible now to carry on business without the services of the skilled accountant. There were still a few ill-informed people who thought that the accountant was a glorified book-keeper, but actually in addition to his ordinary duties the accountant might be called upon to act as financial adviser, as trusted and expert statistician and administrator, and in various other capacities. No wonder that the profession of accountancy called for the highest qualities. Out of their membership of 3,800 there were seven ladies, and he thought it might be very interesting if they could have an inquiry to explore whether a lady or gentleman was best fitted to be an accountant. The responsibilities which attached to accountants were enormous. Commerce depended on credit and credit on evidence, and the evidence on which commerce depended very largely rested on the certificates for which the accountants were responsible. The whole commercial system really rested very largely upon the accuracy and dependability of the examined accounts which the accountants certified as correct. They all knew how when a man went wrong the cry was at once: "What about the auditor?" And so it was brought home to them how much the nation depended upon the efficiency and trustworthiness of the work which the accountant did. That work in the future would not be less than it had been in the past. As civilisation developed commercial transactions of all kinds grew more complicated, and demanded greater and greater skill on the part of the accountant. (Applause.)

Mr. GEORGE STANHOPE PITT, briefly responding, thanked Sir Harry Haward for his kind remarks about accountants. His experience was that the merchants of the country simply desired an assessment strictly in accord with the law, and that they stood the best chance of getting by employing a skilled accountant. Certainly no professional accountant would ally himself with anything more than that. It was true that there were bad traders who did not keep proper books of account, but he did not believe that they received any benefit in their income tax assessment from that, for His Majesty's Inspectors of Taxes knew how to deal with them. He was full of optimism with regard to their Society. Ever since its foundation they had had to record steady progress, and under the able guidance of the Council he was sure that that progress would be maintained. In conclusion he referred to the splendid work accomplished by the Secretary, Mr. A. A. Garrett, and by the local Secretary, Mr. Percy Walker, in connection with that Conference. (Applause.)

ACCOUNTANCY IN RELATION TO COSTS AND MARKET PRICES,

BY

MR. JOHN MANGER FELS, C.B.E., F.S.A.A.
(LONDON, MEMBER OF THE COUNCIL.)

(October 5th.

PRICES.

To-day throughout the world, save in those sections of it in which goods are exchanged by barter, the twin or correlated questions of the price of money or currency, and of the prices of commodities are matters of absorbing interest. It does not fall within the province of this address to discuss the causes of, and the remedies for, the present international currency chaos with its attendant evils, not the least of which is the misapprehension it engenders between persons of different nationalities. I should point out, however, that the trend of opinion of experts in currency is in favour of the stabilisation of money and currency values, and some also favour the stabilisation of commodity prices. The end being attained by the application of the "quantity" theory of money, or currency, so that in and among trading nations the credit manufactured, or put in circulation, may be equated from time to time with the supply of commodities. As far as can be there would thus be maintained—as the measures of weight, capacity and dimension are maintained—an equilibrium in the measure of value, though not of its mass.

Mr. J. M. Keynes recently stated that he believed that the reform of the standard of value is, within the economic sphere, the question of the greatest urgency now before us.

THE QUANTITY THEORY OF MONEY.

A succinct but clear explanation of the quantity theory of money is to be found in the Interim Report on Money and Prices, published on August 20th, 1920, and issued by the Parliamentary Committee of the Trades Union Congress, wherein it is said: "The general level of prices depends upon the relation between money—i.e. purchasing power—and the goods and services available for sale. If the supply of currency is increased, then with a given volume of goods and services for sale the value of 'money' relatively to goods and services declines, or in other words the value of goods and services—i.e. prices—increases. On the other hand, if commodities and services increase relatively to purchasing power, then value diminishes and prices fall . . . An expansion of purchasing power, if commodities are not increased, results in increased competition amongst buyers. An expansion of the supply of goods, if purchasing power is not increased, results in increased competition amongst sellers. In the former case prices rise, and in the latter prices fall."

THE ANCIENT ENGLISH STANDARD.

It is interesting to note that so far as this country is concerned the adoption of the proposal would in large measure be a reversion to, or recognition of, the principle embodied in our ancient monetary system. Until the Coinage Act of 1664 legal sanction was not given to the monetary system introduced by the Esterlings in the reign

of Henry II, by which money came to have a constant debt paying power. Our native monetary system recognised the variant debt paying power of money, and that money values should be always equitably co-related to commodity values was inherent in it. Partial survival of this principle of our ancient monetary law is to be found in the Tithe Commutation Act of 1836 and in the Irish Land Act of 1881.

Of the three monetary dimensions,

- (a) The monetary purchasing power of commodities,
- (b) The commodity purchasing power of money,
- (c) The debt paying power of money,

it is the last only which is constant in all cases save those covered by Tithe Commutation and the Irish Land Acts.

STABILISATION.

Stabilisation of money prices, and still more of commodity prices, probably lie some little distance ahead of us.

For the results of stabilisation of commodity prices to be satisfactory to the community generally, if and when it comes, it will be necessary to have a much closer accounting grip of all elements which should enter into the computation of "a just price," and to throw thereon the searchlight of accountancy.

In this address it is well to allude to this trend of events in order to emphasise the importance of the work that is being done, and the still greater importance of the work that awaits doing in the demonstration by accountants, by the aid of such monetary units as we have, of the costs of production of commodities, of their distribution, including transport and marketing direct to the consumer or user, or through a series of intermediaries, and of the various elements of cost and charges which contribute to bring about market prices.

In view of the general ignorance as to costs, particularly distribution costs, to stabilise on present prices or on approximation thereto, without careful ascertainment of costs might, and probably would, mean the perpetuation of uneconomical methods of production and distribution.

SYSTEMATIC ANALYSES.

Professor Alfred Marshall, in his monumental work on "Industry and Trade," has paid tribute to the very high development which the science of accounting has received during the last few generations, pointing out that the use of systematic analysis as an engine of business first attracted general attention as the result of dissatisfaction with the crudity of customary methods of making up cost accounts, which claimed to show, but did not in reality show, the total charges to be attributed to each particular class of product, as contrasted with accurate cost accounting, by which the path of each element of material or labour is traced, so as to show how much is embodied in the product, how much is consumed in the process, and how much is lost, and he also points out that the movements towards the general application of scientific methods in business management and administration were pioneered by studies of cost accounts.

TERMINOLOGY.

To an audience of professional practising accountants it is unnecessary to dwell upon the progress that has been made in cost accounting, and the manner and method of its achievement, but I wish to urge that to maximise in the public interest the advantages that arise from the ascertainment of costs of commodities at various stages of their progress towards utilisation, it is necessary that there should be accord as to the meaning of the terms used. This lack of precise or clear definition is, in my opinion, a hindrance to collective progress in our knowledge of the economic facts of life.

Professor Marshall laments that "unfortunately the use of terms connected with business is not always consistent; the economist must accommodate himself to the practice of the market place," but points out that "a little care in wording will avoid all confusion between real and money cost of production." This is so, of course, with the trained and dialectic mind, but the majority of mankind are unfortunately, however, slaves to words and to phrases, and recognise only broad distinctions, and not shades of meaning.

Through the use of words which do not convey to the reader or hearer the meaning the writer or speaker intended to convey many false impressions are created, or credence given to half truths. Despite the great development in the technique of cost accounting, there is much need for the clarification and co-ordination of the terms in which results are expressed.

THE TERM "COST."

The word "cost" in itself is not free from ambiguity. This is not decreased when it is conjoined with the words "price" or "money," amplified by terms such as "cost of production" or "cost of working," or restricted by qualifying words such as "prime cost," "actual cost," "direct cost," "supplementary cost," "full cost," "true cost."

At present the terminology of cost accounting is, as we are told the earth at one time was, "without form and void." Personally, I think the time has come when we should endeavour to give shape and ordered life to this nascent branch of our professional work, and as our professional confrères in the United States have done, should appoint a committee to consider the matter in detail and by united effort arrive at fixed and recognised definitions of the terms employed, and thus avoid the confusion which arises from "sloppiness" in diction.

REAL COST.

I am afraid that even amongst accountants it is not unusual to use the word "cost" in the somewhat restricted sense implied in the words "direct cost" or "actual cost" when a term is required to denote the aggregate of the analysis of the charges which according to the book records are attributable to the production of a particular commodity. The "direct cost," the "true cost," or, if we attune our terminology to that of the economist, the real cost of production is the aggregate of all the efforts and sacrifices incurred in the production of a commodity. So far as these sufferings are, or can be, expressed in monetary units, they enter into our province as accountants in ascertaining or determining "cost" as a constituent of price.

FINANCIAL ACCOUNTS AND COST ACCOUNTS.

The key notes of the financial accounts and of the cost accounts of an undertaking must blend, though they may be of different compass suited to the requirements each is intended to subserve. The financial accounts bring into range the whole series of individual transactions of an undertaking, whilst the cost accounts deal with its production and afford the detailed information requisite to the successful conduct of the business and also give guidance as to economies in manufacture. For these industrial purposes cost records, unlike financial accounts, have to be prepared and/or analysed on a qualitative as well as a quantitative basis. Cost accounting is predominately within the domain of the accountant, but the more serviceable industrial results are obtained by conference and co-operation of accountants with the technicians of industries.

THE TERM "PROFITS."

Then, again, there are the anomalies referred to by Adam Smith of applying to the remuneration of an individual working on his own account the term "profit," whereas the whole, or some portion of what is so termed is in reality wages, and the further anomaly that in the case of many traders interest is also classed as profit.

These anomalies have become venerable by age, but they are virile enough to be the parents of many misconceptions.

In many productive businesses operated by individuals the proprietor—if remunerated for his management on the basis of "a wage" such as would accrue to an employee of equal industrial status, and if receiving interest on his capital invested in the undertaking at a rate at which he could, without risk of loss, employ it in Government or Municipal securities—would find the amount which passes or is classified as profit largely reduced. If these charges were so treated, the true or real profits would appear in accurate perspective and there would be a lessening of the animus perhaps not unnaturally, shown by those who have more or less fixed incomes arriving from investment or from salaried or waged employments, towards those who are thought to be making unduly large profits.

This confusion is so widespread that it is not uncommon to see the whole difference between, say, the average price realised for a unit by the grower or producer and the price the same unit realises delivered at the consumer's door, defined as a gross profit. This is of course a misuse of terms, for some part of the difference is due to costs and charges for services usefully rendered.

MARKETING AND DISTRIBUTION.

The information as to cost of production and the analysis that, under a good and effective system of accounting we are able to obtain of the component parts of cost, are of essential importance to manufacturers and producers, but for general financial purposes as well as for purposes of social service the costs of marketing and distribution require elucidation as to the extent to which these costs contribute to the prices current in various markets.

Where the producer is not in direct touch with the consumer the latter obtains his supplies from retailers, who in turn are purchasers either direct from the producers, or more generally through markets which may broadly be described as special, general, controlled, organised, or open markets.

The decline of local markets and the high degree to which centralisation of markets is carried often adds considerably to the price the consumer pays, for the tendency is to consign commodities to the large and central markets with a view to securing the best price obtainable, and then in many cases reconsigning to a market a much shorter distance from the place of origin, or even to the place of origin itself. The consumer is often thus deprived of locality advantage, and pays in added price the cost and charges of such deprivation.

Some of the members of some of these market organisations no doubt hold the view that "orderly marketing," as it is termed in the States, is of benefit both to the trade and the public by the elimination of unnecessary price fluctuations, but the broad aim of the organisations is to control trade in the interest of traders.

"ORDERLY MARKETING."

The idea of "orderly marketing," whether by producers' co-operation, by commercial co-operation, or by State intervention, bids fair to have an increasing vogue as regards commodities which are of a seasonal or of a perishable nature, or in other respects dependent upon weather conditions. An example of this is to be found in the recent resuscitation in the United States of the former War Time Finance Corporation with a capital of 500,000,000 dollars, which a year ago announced that it had advanced 104,000,000 dollars to farmers' co-operative associations for the purpose of assisting in financing the "orderly marketing" of agriculture, or to use the words of Mr. E. M. H. Lloyd in his recent excellent book on "Stabilisation," "for stabilising the price of agricultural products by enabling farmers' associations to carry over stocks and avoid flooding the market owing to temporary over production."

A somewhat different example of the efforts made to stabilise price is to be found in the case of the British Australian Wool Realisation Association, in which some 70,000 wool growers are interested. The Association, by "orderly marketing," has prevented the price of wool falling to the extent it would have fallen consequent upon the large surplus stock which, at the conclusion of the war, was under the control and at the disposal of the British Government.

COSTS OF MARKETING.

Next consider the cost of advertising and publicity, the cost of travellers and agencies and other expenses incidental to selling. The costs of these, when obtained, and equitably apportioned as they can be under a proper system of accounting, would in many cases be found to add materially to ultimate costs, for, though for a time they may lessen profits and not add to price, these expenses will in the long run fall on the consumer.

The margin between the cost of a product and of its marketing, and its selling or market price including the element of profit, is more easily ascertainable in the case of a productive enterprise than in the case of wholesale or retail distributive businesses, and that for a number of reasons, most of them self evident to those acquainted with commercial procedure, but which cannot for reason of time be dealt with in this address.

COST OF LIVING STANDARDS.

In connection with merchant or retail business we enter on an uncharted sea of distribution costs and distribution profits, and of that remaining element in price consisting of the ability to obtain in a series of transactions the monetary differential between the price at which the seller would, if necessary, sell and the price which the buyer will, if necessary, pay. It is on these uncharted and ever changing currents and undercurrents that, as regards certain articles Government officials endeavour from time to time—by the compilation of information supplied to them from, it is said, 5,500 different sources—to evolve a cost of living standard as applicable over the whole country.

The average level of prices is based on certain articles of food, rent and rates, clothing, fuel and light, and sundries. The "weights" attached to the articles comprised in the respective categories are food $7\frac{1}{2}$, rent and rates 2, clothing $1\frac{1}{2}$, fuel and light 1, sundries $\frac{1}{2}$. These "weights" are based on the average expenditure of 2,000 working class budgets collected by the Government so long ago as 1904. This standard, in its turn, is used in certain industries as the factor determining scales of pay, or rates of wages.

On soundings such as these taken from month to month, it is hoped by some to establish internal industrial peace.

Many of the Trade Boards, of which there are some 44 in Great Britain, have not, however, adopted the method of regulating wages by the cost of living index figures prepared by the Ministry of Labour.

COST OF TRANSPORT.

Connected with marketing costs is the cost of transport. In internal trade for all long, and for some short, distances the railway is the natural channel of traffic, and the rates it charges will be the key note to which other carriers attune their charges. It is frankly admitted by the railway authorities that their charges have not been based upon the cost of the services they render, but upon what they thought was the value to the sender and receiver of the services they performed, or in other words they took their toll of the exchange value given to the commodity by its being taken to the place at which it was required. To the broad principle of charging what the traffic would bear there were a few very exceptional cases in which the railway charge varied with the average prices of the commodities.

RAILWAYS ACT, 1921.

The aim of the Railway Act of 1921 is not to stabilise rates and fares—which might be said to be equivalent to stabilising prices—but to stabilise profits, and by means of a tribunal specially created for that purpose so to fix rates and fares

from time to time that profits of the railway companies may be stabilised, apparently not in relation to the work they do or the services they perform, but in relation to the aggregate profits earned or earnable at a past date and under different conditions. Although the railways are a statutorily regulated monopoly the procedure would seem a curious one, for of all the elements in price, profits in the ultimate sense of the term are the most difficult to stabilise, and some no doubt think at any rate as regards those profits which are the result of monopolistic conditions, or control of markets, should be the last to be stabilised. However, very few industries as a whole will probably be as fortunate as the railway companies have been under the special conditions of the last few years, and the stabilising of their profits at aggregate figures without regard to work done will probably not form a precedent for application to other industries.

THE APOLOGIA OF THE RAILWAY COMPANIES.

It is not inopportune in a paper dealing with the constituent elements of prices to point out that the railway companies publicists and apologists show scant respect to the intelligence of the public. When increases of rates on the carriage of goods were made some little time since an endeavour was made by a series of inapplicable calculations to show that the increases were so small when worked out on a pound weight that the prices of commodities should not be increased thereby, whilst when the railway companies made some reduction in their rates, such reductions were paraded as their contribution to a reduction in prices.

To divide the charge for carrying 20, 50 or 100 tons of a commodity by the number of pounds which make up the respective tonnages, and to point out that the cost per pound is such an inappreciable factor that retail prices should not be increased by it, shows a non-appreciation of facts, lack of commercial knowledge, or a profound belief in the credulity of the public.

In some cases the retailing of one ton may mean a large number of transactions, on none of which the retailer, according to the view expressed, is to endeavour to compensate himself for extra transport charges.

The trader, however, is even as human as the railway companies, and he endeavours not merely to recoup himself, but thoroughly to protect himself; thus he makes some addition to the recoupment, and increases price not by decimals of a penny per pound but by halfpence of a penny per pound, and thus swells the cost in ascending degrees, dependent upon the number of additional channels through which the commodity passes to its ultimate user or consumer.

CHANNELS OF DISTRIBUTION.

Within the limits of a short address it is not possible to deal with the differing pecuniary considerations that prevail when a manufacturer or producer sells a commodity direct to the user, and those which prevail when the products are sold in the mass, and through the agency of commission men, wholesale wholesalers, wholesalers, wholesale retailers, retailers and shopkeepers, eventually become available to the consumer or

user. In most cases, particularly as regards food products, this chain of intermediaries is a very long one and adds materially to the selling price. Comparisons cannot validly be instituted between wholesale and retail prices, as affecting the reasonableness of the one and the unreasonableness of the other, without systematic accounting investigation as to the method of trading and analyses of the cost of the various services which the units in the chain render, or of the additional cost incurred by the further transport charges which arise when goods originally consigned to a central market are transferred to other markets.

PROFITS ON TURNOVER.

In retail trade we have the curious anomaly that in the majority of cases the percentage of profit is reckoned on the turnover, in which the profit itself is included. This, from the point of view of pure arithmetic, is a cardinal vice. It has, however, apparently been found a convenient practice and one which in some cases usefully shows a lower percentage of profit than is actually received. It is perhaps found convenient also because it often obviates the necessity for accurate book-keeping, and from an income tax point of view has certain advantages. If on sales at £30,000 of goods for which £15,000 have been paid, and extra expenditure, including overhead charges incurred, amounts to £5,000—or in all £20,000—then the profit of £10,000 is clearly at the rate of 50 per cent., but in common parlance it would be described as a profit of 33½ per cent.

COAL PRICES AND DISTRIBUTION COSTS.

The Advisory Committee for Coal and the Coal Industry reported in December last that "much of the irritation in the public mind as well as in the minds of the miners arises from a suspicion that, although those directly concerned in raising and selling coal at the pit head are being inadequately remunerated, intervening agencies between the pit and the buyers are reaping undue reward. This conclusion is arrived at largely because of the size of the margin between the pit price of coal and the actual price to the consumer. . . . Whilst we think reductions both in transport charges and in distribution charges are overdue, the margin between pit price and actual price to the consumer will in the present circumstances of transport and distribution remain substantial."

Although at the meetings of the sub-committee two members expressed the opinion that full investigation into the general system of distribution and transport was desirable, the chairman held that the terms of reference did not admit of this wider investigation. Some statistical data, however, were provided by the traders, and this the Committee desired should be incorporated in their report so that the public might have before them the facts concerning which, in their opinion, there was widespread misapprehension. The statistics incorporated do not, however, throw much additional light on the position. Unfortunately they are not signed or certified, and from an accounting point of view are open to much criticism.

PRICES OF AGRICULTURAL PRODUCTS.

Some excellent reports have been presented by the Departmental Committee on Distribution and Prices of Agricultural Products. In one of these, referring generally to their reports, they say the evidence largely and necessarily relates to intimate details of private and, in many cases, competitive businesses, and they are not in a position to release it for publicity.

The Committee have already presented reports on (1) milk and milk products; (2) methods and cost of selling and distributing fruit and vegetables; (3) meat, including bacon, poultry and eggs; and a fourth report on bread, flour and cereals is shortly due.

MILK.

On the subject of milk prices, the Committee point out how large a factor in price is the cost of distribution. Evidence was given as to a roundsman in a poorish district who, to deliver 24 gallons of milk, had to pay 400 visits a day, making two calls at each house and delivering on an average half a pint a visit. Reliable accounts of the cost of the distributive system in this trade are still to seek, but the Committee expressed the opinion on such evidence as they had that the price of milk was too high, that condensed milk was too dear, and that cream was an absolute luxury. The recent decision of producers and distributors of milk, of which a cheap and plentiful supply is one of the greatest dietary benefits, to add a penny to the price of a quart of milk as a seasonal increase is not so far as the public knows justifiable. The validity or invalidity of the increase can only be demonstrated by a detailed and accurate system of accounting. The consuming public has no means of deciding whether any reduction in price should come out of the profits of the producer or distributor, or how much from each. The Committee definitely stated that the distribution costs in London were excessive and should be reduced, but apparently made no attempt to ascertain costs of production. In this industry in the settlement of prices the conflict is between producers and distributors as to how the extra 1d. or 2d. a quart shall be divided between them. Calculations at less than 1d. a quart seem unpopular with sellers, but equity would seem to demand that in so extensive a distributive trade as this halfpence should be brought into the basic account.

VEGETABLES AND FRUIT.

As regards the methods and costs of selling and distributing vegetables and fruit, the Committee state that they sought to obtain direct from individual traders certain essential statistical data to enable them to arrive at the costs normally incurred in the various stages of the distributive process. For that purpose some 4,000 questionnaires were sent out, of which some 86 only were returned in such a way as to give the information the Committee required. It will be observed that the number of returns completed is only 2 per cent. of the questionnaires sent out. Of the completed returns 21 referred to the wholesale trade and 65 to the retail trade, of which 22 were from private firms and 43 from industrial co-operative societies. Those who made the returns were probably those

whose prices were least liable to criticism. Of the replies received from the retail traders two-thirds were from industrial co-operative societies, the prices charged by which would doubtless be below the average.

MEAT.

The Third Interim Report of the Departmental Committee, which has quite recently been issued, deals with the methods and cost of distribution of meat, poultry and eggs. Here again the outstanding feature is the great margin between the prices received by the producer and those paid by the consumer, but here also is the ever present difficulty of not having any accurate accounting data to show how much of this margin is due to unavoidable costs and charges, or how much is due to cumbersome methods of distributing, as in those cases in which meat passes through eight or nine distributing agencies, or to unnecessary duplication of transport, or how much is due in the case of the best joints to the increased demand for meat of that quality, which in turn reacts on the demand for those of other qualities and produces disproportionate differences between the average price and quality price.

The Committee, summing up the condition of the meat trade state that "the relative improvement in the financial position of meat retailers generally, which witnesses engaged in the trade admit to have resulted from the control of prices, has been largely if not entirely maintained in the post control period. In other words, meat traders as a class appear to have definitely improved their relative financial status in the community."

FISH.

If we turn from the distribution of the harvest of the land to the harvest of the sea, we find, according to the recently published report of the Fishery Board for Scotland, that in the organisation of distribution in this trade also there is room for considerable improvement.

The reports of the Committee and common knowledge prevent general acceptance of the view that food prices are entirely governed by the laws of supply and demand, which were at one time the controlling factors in trade and industry.

PROPORTION OF DISTRIBUTION CHARGES IN PRICE.

Inquiries into the cost of distribution, both in Great Britain and the United States, show how large a proportion of the total price is due to the distribution costs. As regards the vegetable and fruit trade in this country the Departmental Committee point out that this trade is almost unique in the number and variety of intermediaries who may be engaged in handling the produce and whose sole service is that of distribution. In some cases there are as many as six intermediaries between the grower and the consumer. In the case of other food commodities distributive services usually include, not only the operations of collection and distribution, but also the preparation or treatment of the produce to render it more adaptable to the consumers' needs.

ESTIMATES OF RETAILERS.

The Committee state that in the vegetable and fruit trade in general, retailers appear to estimate that in normal circumstances the goods they handle must be sold at nearly 50 per cent. above their purchase price if the costs of distribution are to be met and a reasonable remuneration provided. In other words, one-third of the price paid by the consumer is nominally required by the retailer to cover his expenses and profits. The Committee consider it unfortunate as regards retail prices that a greater number of completed returns were not received from this section of the trade, though they realised that many greengrocers were unable to furnish the information asked for owing to their accounting systems being either of a rudimentary character or not adapted to the purpose.

This is further confirmation, as regards a particular industry, of the soundness of the suggestion made by our friend Sir James Martin as regards trade and industry generally, in his evidence on behalf of the London Chamber of Commerce in 1919 before the Royal Commission on Income Tax, that it should be incumbent on all persons engaged in trade or business to keep such books of account as are usual and proper in their respective businesses, and as would sufficiently disclose their business transactions and financial position. I would emphasise Sir James' use of the term proper, as the usual books of account often afford but little information save as regards the general position, and do not afford the information requisite for the efficient and economical conduct of the business.

RIGID CHARGES.

The rigidity of such charges as railway rates, market tolls and other charges which do not vary with the price of the commodity, and the view taken by many retailers that it is more convenient and advantageous to have a higher rate of profit on a small turnover than a smaller rate on a larger turnover, coupled with other features of the industry, is that, as the Committee state, "a position thus arises that under present conditions a season of comparative scarcity, or of steady and even supplies, is more satisfactory to the grower than are periods of abundance, when much of the produce, especially that which can least bear the cost of marketing, is allowed to rot in the ground, or is fed to stock, or ploughed in, to save the heavy losses that marketing would entail."

ARCHAIC METHODS.

The Committee urge that distributors must make every effort to eliminate archaic methods and to enhance the efficiency of the general distributive system, and that retail distributors in particular should make serious efforts in the direction of increasing turnover when supplies are abundant by charging lower prices to the consuming public.

I would point out, however, how difficult it is to alter old and convenient, though cumbersome and expensive, methods of doing business unless by means of analysis the cost not only of these methods but of all the other factors in the distributive system is known, and unless accounting takes the place of

estimate, and more accurate and detailed accounting takes the place of the rudimentary accounting to which the Departmental Committee alludes.

DEPARTMENTAL COMMITTEES AND TECHNIQUE.

In this country Government Departmental Committees are in general supplied with their statistical data either by representatives of the trade which is being inquired into, or by Government Departments, such returns being prepared by those who are not necessarily specially acquainted either with commercial procedure or practised in the accountancy technique which is requisite to give validity to statistical tabulation. It would, I think, be desirable that such Committees, or any Parliamentary Committee or Royal Commission appointed to investigate our distributive system, should have power to employ qualified accountants to investigate and report to them on the accounting portions of the matter.

RESERVATION OF DETAILS.

One recognises the view of the Departmental Committee on Agriculture that they are not in a position to release for publication the intimate details of evidence given before them in the case of private and competitive businesses, but if the identity of any particular business is veiled, as in the case of the report of the Advisory Committee on Coal, wherein the prices per ton paid at various periods by eleven railway companies for coal were grouped under the letters C to K, no disclosure would be made prejudicial to a particular business.

However, if it is in the public interest that the facts should be known, I think it is questionable whether we may not be too tender of the right of individuals to avoid knowledge of trade conditions.

The endeavours of the Income Tax Authorities to bring into charge as much income as possible have led in recent years to many traders who had not kept accounts being induced for their own protection to keep them, and this process is likely to be continuously enlarged. In this extension of account keeping, and the adoption of the suggestion before referred to of Sir James Martin, lies our opportunity of impressing upon those engaged in distributive trades the benefit that will arise to them, and through them to the community, of keeping accounts of a costing type or character that will enable them to see in detail in what directions and for what purposes their business expenditure arises.

U.S. INVESTIGATIONS.

In the United States, where State inquiries as to distribution costs seem to have been carried out more extensively and in greater detail than here, the Joint Congressional Commission of Agricultural Inquiry has been at work for rather more than a year, and has itself employed a large staff of experts. Their report demonstrates that in the United States as regards food stuffs, where the goods have to be worked up,

one-half the price paid is for distribution, the analysis on a dollar sale price being:—

	Cents
Primary producer	20
Manufacturer	17
	37
Profits of manufacturer, wholesaler and retailer	14
	51
Cost of selling, distribution and advertising ..	49
	100

A chart included in the report indicates that approximately 50 cents of the dollar the consumer pays for bread is absorbed in costs of distribution. As regards the wholesale grocery trade the Committee state that there is every indication that the cost of operation can be modified by developing a greater frequency of stock turn, whilst as to retailing, the Committee state that it seems probable that the greatest factor of waste in distribution is in idle merchandise, stock on the shelves of the retailers and the warehouses of the wholesalers. Idle merchandise accumulates burden of interest, insurance, rent, taxes, depreciation, shrinkage and obsolescence, in addition to tying up an unnecessary amount of capital and credit. When the burden is permitted to develop it must be passed along to the consumer if the retailer is to remain in business.

X OF THE EQUATION.

Beyond and in addition to the costs which enter into price is the X of the equation of supply and demand. We are only able in our present state of knowledge to give quantitative form to this price factor by assuming that it is represented by the difference between the price actually paid by the consumer or user and the aggregate of the costs and charges incurred in its production and delivery.

The stabilisation of this factor of profits or exchange value will be one of the greatest difficulties in arriving at the stabilisation of the price of commodities. Sir Charles Fielding (Agricola), in his book on "Food," states: "To sum up on the subject of unaccounted for and seemingly unwarranted difference between producers' receipts and consumers' payments, there seems to be an excess of £175,000,000 now paid by the consumer and kept in the hands of distributors, viz:—

For Bread	£52,000,000
„ Meat	78,000,000
„ Milk	45,000,000
	£175,000,000"

This estimate may be too high or too low. In the absence of accurate accounting data we cannot tell.

The discovery or ascertainment of transport costs and of marketing and distributing costs is, however, essential before any endeavour is made to stabilise prices. To stabilise on present prices, or at 85 per cent., or 100 per cent. above pre-war prices, as has been suggested, would tend to perpetuate methods of production, transport and distribution,

admittedly in many cases redundant or defective. It will be the province of accountants, pursuing the end to be attained in a professional and non-partisan manner, to make clear what are the necessary and useful costs that arise in connection with methods of distributive business, what are the unnecessary and useless costs, or the costs that might be avoided under a system of transport and distribution more suited than is the present to the requirements of the times. In undertaking such work accountants will subserve the ultimate interests of the community—that is, of producers, distributors and consumers alike.

THE ACCOUNTING SPIRIT.

In our commercial and civic life a greater appreciation of and a more full application of the accounting spirit are to be desired. Those imbued with that spirit would not, I think, have agreed to the exclusion of vegetables and fruit from the articles which should be taken into account in estimating the cost of living scales. Nor would they agree, I imagine, that a flat rate figure of the cost of living should be, or properly could be, applied generally, but that the scales applicable to different portions of the country by reason of the variations in economic conditions should be ascertained. Unless there is complete confidence in the scale of living index figure, there is likely from time to time to be a recurrence of spontaneous strikes, such as that which occurred recently in the dock world, and which, in its turn, still further increased the current prices of commodities, against which it was in itself a protest.

Although it is hardly necessary to do so, I would point out that in this address I am giving expression to my personal views only. In the hope that they may be of some service in finding methods for the solution of one of the main problems of our everyday life, I submit them for your consideration.

Discussion on Mr. Fells' Paper.

Mr. F. J. ALBAN (Cardiff) congratulated Mr. Fells on his excellent paper, and particularly emphasised the pleasure it gave South Wales students to meet in the flesh one of the men who drew up the syllabus for the Society's examinations and then set questions for the examination that were right outside the four walls of their own syllabus. (Laughter.) Coming to the paper proper he was bound to regard it as an indictment of the cost accounting of the country. In the early hours of the morning he had gone through the paper to find out how many references there were in it to investigations that could not be completed because of the absence of proper accounting data, and he found no less than eight such references. The United States were far in advance of Britain in the matter of cost accounting. The lack of cost accounting systems in the country had been emphasised by an Institute of Municipal Treasurers' witness before the Lord Mostyn Committee on Government Grants, and in the report of the Commission on London Government there was a paragraph in which the Commission expressed their opinion that it was impossible and impracticable to arrive at any satisfactory units in regard to almost every public service. Those references showed that the country had to go a very long way in even the first stages of cost accounting. In that connection it was gratifying to find that the Advisory Committee of the Ministry of Health had prescribed a system of cost accounts for hospitals which undertook the treatment of tuberculosis, and that the Government was regulating their grants in accordance with the extravagance or otherwise shown on the cost figures. Then, again, their Society took pleasure in the work that had been done for Army Accounts during the war by Lieut.-Colonel Grimwood. He quite foresaw the time when

in the ordinary course of events a Labour Government would be in power, and he was sure that if Mr. Mardy Jones, M.P., had been present that day he would have taken the paper to which they had listened that morning as part of his propaganda for Labour. He believed that when a Labour Government did assume power it would rule in a constitutional manner, and how would it deal with the question of the monopolies if it had to rely on constitutional procedure? Surely its first aim would be adequate costing accounts prepared by skilled accountants. (Applause.)

Sir CHARLES WILSON, M.P. (Leeds), who was cordially received, joined in the general expression of congratulation to Mr. Fells on his paper, which exhibited such wide range of thought. Although he had spent 30 years in attempting to destroy the Socialist fallacies, he agreed that there was a chance of a Socialist Government coming into power. If such a Government did come its only chance would be to retain the services of Incorporated Accountants and other trained men. If they did not they would quickly go to the wall. Under the heading of orderly marketing, Mr. Fells had referred to an institution in America which the speaker felt there was great room for in England, and that was in the assistance given to farmers to prevent their destruction by force of adverse circumstances. It was not to the good of the country that the farmer should have to slaughter his stock, thresh before time, and sell his corn, hay and potatoes before the time came. That might suit people who took the narrow view of looking for cheap prices, but since its effect was to knock out British producers it was bad for the nation. If the British farmer went out of production in cereals and potatoes then the supplies would have to come from abroad, and the foreigner would ultimately put up his prices. Sir Charles urged accountants to endeavour to prevent the return to lazy grass farming, and declared it as his belief that no profits were made out of the production of milk. Every time there had been an attempt to interfere with milk prices the only effect had been to increase those prices. It was a dangerous thing to interfere in the milk supply. Sir Charles thought that the standard of 33½ per cent. on profits taken by Mr. Fells was a sound one. His own theory was to let the people go ahead and make their profits, and the taxing and rating authorities would do the rest. There was general protest with regard to railway rates to which attention had been called in the paper, but the time in which those protests had to be lodged was very limited at the moment, and if their protest was to be added it must be made immediately. Personally, he thought they should do what they could to strengthen the hands of Chambers of Commerce and other bodies who were trying to bring pressure to bear on the railway authorities, and to compel them to reduce their rates to reasonable figures.

Mr. A. E. PUGH (Newport) was glad that the paper emphasised the fact that accountants to-day had to be something more than mere checkers of figures. Mr. Fells had referred to the stabilisation of money values, and maybe the writer of the paper saw further than most of them in that sphere, but for himself he did not see how that stabilisation was possible, and remembered that all attempts at artificial stabilisation had resulted in chaos. They must wait until prices stabilised themselves naturally and the law of supply and demand ran again. After emphasising the need for a more scientific terminology in respect of the science of accountancy, Mr. Pugh turned his attention to the question of orderly marketing and declared it as his belief that if that could only be established in the country a big step forward would have been taken in the solution of the problem of unemployment. Civic authorities had it in their hands as large purchasers to help forward orderly marketing in a marked degree, and that by making their purchases in the slack periods of trade. Mr. Pugh expressed the opinion that the accountant in the future would play an important part in the solution of many of our problems, but that a close study of economics was essential to the accountant if he was to be properly equipped for the rôle.

Sir JAMES MARTIN (London) took up an incidental remark made by Sir Charles Wilson in advocating payment by results which Sir James Martin interpreted as meaning that accountants might be paid by results in certain cases. He claimed that they were entitled to a proper fee whatever the results of their labours providing they did good and proper

work. It was dangerous to talk about payment by results in the case of taxation matters and the like. Mr. Fells in his paper had done very great service to a wider community than the accountants, and especially in regard to the criticism to which he had submitted the cost of living figures. He was going to consult with Mr. Garrett as to getting that paper into the hands of some of the Government Departments and asking those Departments if they would see that the statements that Mr. Fells made were properly investigated with a view to considering if they could not improve procedure in regard to some of the suggestions that had been put forward.

Mr. F. WOOLLEY (Southampton), while joining in the expression of appreciations of the paper to which they had listened, thought that there was one direction in which the paper and discussion had given him some little concern. He had wondered how far they were travelling along Socialist ways. What was the demand underlying the demand on the part of the Government and on the part of the authorities that they should investigate costs or regulate prices? That demand only arose when the public imagined that it was being charged too much for the commodities it required. Did the demand ever arise when the public imagined that prices were too low? That was an aspect of the question that was worthy of consideration, for he definitely questioned the right of the Government or anyone else to inquire into prices and costs of production, or in any way interfere in the processes of trade, unless they were prepared not only to minimise prices when they were thought to be too high, but also to guarantee prices when they were obviously too low. If a Government was going to claim protection for the consumer, then it must also provide protection for the producer and distributor.

Mr. Fells, replying to the discussion, asked Mr. Woolley to remember that they were living in the twentieth century, and that the world was not the same as it was a century ago, when prices were settled by the economic friction between consumer and producer. In these times of chaos and political change they could not afford to leave the consumer under the influence and control of market prices that were operated by trusts, combines and monopolies, which now fixed prices without regard either to the law of supply and demand or to the interests of the consumer. The kind of Socialism which he feared was not that kind which Mr. Woolley feared, which would have regard to the interests of the community, but was the kind of Socialism that would fix wages and profits leaving the consumer out of account altogether. He thought, for instance, that the coal strike settlement was thoroughly bad because it led to fixing prices as high as possible in the interests of the industry and not of the community. That was an experiment in Socialism of the worst possible kind. The same thing was found to a lesser degree in the railway world. They had to be careful to take the consumer into account and to see that prices were just, equal and fair to producer, consumer and distributor alike. All that he had asked for in the paper was the exploration of the uncharted sea of distribution. They could not condemn the distributor. There was not sufficient data on which to come to judgment, but when they got an authority like Sir Charles Fielding estimating that the excess profits in the three industries to which he had referred in the paper amounted to £175,000,000 it was time to explore the distributive system and see if they could reduce the price of commodities so that the people might be able to lead happier lives. He had sufficient faith in the good sense of the people to believe that if they got the facts right they would get the practice right in time. With regard to Sir Charles Wilson's statement that milk was not yielding a profit to the industry, he could only think that Sir Charles lived in a district where the retail price was lower than in London and the pressure of public opinion was stronger than it was in the south. In the report of the Parliamentary Committee they had the statement made after a large number of witnesses had been examined that the prices of milk were too high, that condensed milk was too dear, and that cream was a positive luxury. Could there be a greater condemnation of the present system than that? He thought not. But what was the result? Instead of prices coming down in London, as was suggested by that Committee, the price had gone up from 6d. to 7d. or 8d. a quart. The whole

controversy had been not in connection with the consumer, but only between the producer and the distributor as to who should have the larger share of the extra payment they felt they could wring out of the consumer. Sir Charles had alluded to the desirability of payment by result, and as an accountant he rather agreed with Sir Charles. He thought that the solution of the wage question would eventually be somewhat in the nature of payment by result, perhaps taking slightly different forms in so far as endeavours were made to ascertain what was the contribution made by the workman to the value of the product. Of all forms of remuneration the fodder basis—the cost of living basis—was one of the worst. It practically treated a workman as a domesticated animal was treated. To base remuneration purely on cost of living was a mistake which would bring about that worst form of socialism which Mr. Woolley feared so much. (Applause.)

On the motion of Mr. G. E. S. HEYBYRNE (Newport) (Vice-President of the District Society), seconded by Mr. G. BRINLEY BOWEN (Swansea), Mr. Fells was thanked for his paper.

The PRESIDENT moved a resolution thanking the Lord Mayor and Corporation of Cardiff for granting the use of the City Hall, the Lord Mayor and Lady Mayoress for cordially receiving and hospitably entertaining the members and their ladies, the Most Hon. the Marquis of Bute and the Right Hon. the Earl of Plymouth for their hospitality, and Mr. John Allcock (President), Mr. Percy H. Walker (Secretary) and the members of the South Wales and District Society for the excellent arrangements made and the entertainment offered to the Conference.

SIR CHARLES WILSON seconded.

The proceedings closed with a vote of thanks extended to the President on the motion of Mr. CLARIDGE, seconded by Mr. JOHN ALLCOCK.

RECEPTION BY DISTRICT SOCIETY.

On the first evening of the Conference the President and members of the District Society gave a reception and dance at the Whitehall Rooms, when some 400 members and their friends were present.

The members were received by the President, Mr. John Allcock, and Mrs. Allcock, who was presented with a bouquet.

Music was interspersed with vocal selections by Madam Gwladys Fletcher and Mr. Archie Gay. The function and hospitality of the South Wales District Society were much enjoyed by the members, particularly as it gave them an opportunity of meeting one another before the opening of the business proceedings on the following day.

VISIT TO ST. FAGAN'S CASTLE.

By kind invitation of the Right Hon. the Earl of Plymouth the members were received and entertained at St. Fagan's Castle on Thursday afternoon, October 4th. Owing to the illness of the Countess of Plymouth His Lordship was unable to be present, but Mr. Ronald Forrest, his agent, personally received the members and kindly conducted them over the grounds. Tea was served in the pavilion, at the conclusion of which the President moved a vote of thanks to the Earl of Plymouth for his kindness, to which Mr. Forrest replied in cordial terms.

VISIT TO CAERPHILLY CASTLE.

The Most Hon. the Marquis of Bute kindly entertained the members at afternoon tea at Caerphilly Castle on Friday, October 5th.

The visit was made particularly interesting through the courtesy of Mr. Ifano Jones, who conducted the members over the castle and explained the architectural and historical features.

The President moved a vote of thanks to His Lordship, and also to Mr. Ifano Jones for his services in making the visit of particular interest.

RECEPTION AND DANCE AT CITY HALL.

On Friday evening, October 5th, the Right Hon. the Lord Mayor and the Lady Mayoress of Cardiff gave a reception and dance to the members and their friends at the City Hall.

After the Lady Mayoress had been presented with a bouquet, the Lord Mayor and Lady Mayoress received the members at the top of the main staircase. Their duties were shared by the President and Mrs. Pitt and Mr. and Mrs. John Allcock. Dancing commenced about 9 o'clock and was continued until 3 a.m. Some 700 members and guests were present, who much appreciated the hospitality of the Lord Mayor and Lady Mayoress at a brilliant function.

VISIT TO BRECON AND ABERGAVENNY.

On the last day of the Conference the members left Cardiff by special train for Aberdare and proceeded by car *viâ* the Brecon Beacons to Brecon, where luncheon was served at the Castle Hotel, Brecon.

At the conclusion of the luncheon the President expressed the thanks of the Conference to the Hon. Secretary of the South Wales District Society and his partner for their endeavours on behalf of the whole of the members of the Society, and for the successful Conference which had been held. Sir Charles Wilson expressed thanks to the President for his conduct of the business, and also the appreciation of the members at the presence of Mrs. Pitt throughout the proceedings and social functions.

After luncheon the members visited the Priory Church, Brecon, and were shown over by Miss Gwenllian Morgan, the Mayoress. Lient-Colonel Grimwood also gave an address in the church on the history and war achievements of the South Wales Borderers, his own regiment, whose colours hang in the church at Brecon.

The members returned to Cardiff or London during the evening.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotion in, the Membership of the Society have been completed since our last issue:—

ASSOCIATE TO FELLOW.

CHOWN, JOHN HENRY, 4, Princes Street, Penzance, Practising Accountant.

ASSOCIATES.

BENCE, HENRY FRANCIS OLIVE, National Insurance Audit Department, 3, Woodland Road, Bristol.

CARTER, FRANK, Clerk to David Smith, Garnett & Co., 61, Brown Street, Manchester.

GORST, FREDERIC CHARLES ALAN, Clerk to Holman, Foxcroft and Jackson, 11, Queen Victoria Street, London, E.C.

HART, HARRY ARTHUR LESLIE, Clerk to Cooper, Scott & Co., 54, New Broad Street, London, E.C.

JORDAN, LAWRENCE, Clerk to Keens, Shay, Keens & Co., 87, High Street, Bedford.

MANNADIAR, PADMANABHA, B.A., Clerk to Crane, Houghton and Crane, Cathedral House, 8, Paternoster Row, London, E.C.

MOORES, CHARLES SIDNEY, 15, Bedford Circus, Exeter, Practising Accountant.

MURRAY, BERNARD JOSEPH, Clerk to R. G. Sidford, Dudley House, 34-38, Southampton Street, Strand, London, W.C.

ROTHWELL, LIONEL ALAN, County Accountant's Department, Middlesex County Council, Guildhall, Westminster, London, S.W.

CHARTERED ACCOUNTANTS' AUTUMNAL MEETING.

The thirteenth autumnal meeting of the Institute of Chartered Accountants was held at Nottingham on October 9th, 10th and 11th, Mr. T. G. Mellors presiding.

The MAYOR (Alderman E. L. Manning), in welcoming the Institute to Nottingham, regretted the absence of the President, the Lord Mayor of London, of whose progress towards recovery he was glad to hear. The public looked to Chartered Accountants, he said, to supply our City Councils and County Councils with members, and he hoped that in this respect the Institute would never be lacking in its duty.

The CHAIRMAN thanked the Mayor for his welcome, and Mr. A. R. LEIVERS, Chairman of the Nottingham Society, seconded a vote of thanks to the Mayor, and paid a tribute to the zeal shown by Alderman Manning during his year of office.

Presidential Address.

In the course of his Presidential Address Mr. T. G. MELLORS expressed deep regret at the absence of Sir Edward Moore, and also that they had lost one of the most respected members in Mr. J. G. Griffiths, whose help and advice on the Council was sadly missed.

Then, turning to the post war position, he said it was within the recollection of them all the enormous inflation in values which took place, more particularly after the armistice and before the slump occurred. It was at that time that numerous flotations were launched on the public, supported by valuations of assets at the inflated values and certificates of profits based on abnormal years. Pressure was brought to bear on various old established companies to write up the fixed assets to the then supposed value. Numerous questions were asked at shareholders' meetings as to why assets had not been re-valued and shown accordingly. He knew members of the profession were consulted as to the desirability or otherwise of showing on balance-sheets the large unrealised appreciation which had then taken place, mainly due to the rise in the value of buildings and plant. Such points were raised as that it might be a source of weakness which might prejudice the company in connection with possible alterations in the Revenue Acts tending to taxation based on profits in excess of a certain percentage on capital employed; the impression given to the man in the street at the declaration of dividends at the high rate on the issued capital of the company. These and other reasons were advanced as to the desirability of writing up the assets and transferring the difference between book values and the valuation figures to reserves, and issuing bonus shares for such differences.

He was glad to think that in most of those cases the advice was given against such writing up. The capitalisation of reserves represented by accumulation of profits was quite a different matter. It was a dangerous proposition to take a profit on fixed assets until it was realised by sale. If any such changes were made when values were high, it followed that similar changes should also be made when valuations fell. Those concerns that resisted the pressure must be thankful now that they kept the values within reasonable bounds. There was, however, an important case on the question of writing up fixed assets, viz. *The Ammonia Soda Company, Limited, v. Chamberlain*, which was decided in the first instance by Mr. Justice Peterson and confirmed by the Court of Appeal, consisting of Lord Justice Swinfen Eady, Lord Justice Warrington and Lord Justice Scrutton, in 1917. It was a case which should be closely studied by every member of the profession. The directors of that company extinguished a loss on profit and loss account by re-valuing the land and placing the difference between the book values and the valuation to the credit of profit and loss account. The auditors drew full attention to the writing up of the assets in their report; subsequently, the company made profits and paid dividends. On a new set of shareholders coming in eight years later they brought an action against the directors on the

ground that the subsequent dividends had been paid out of capital because the assets had been written up and it was illegal to pay a dividend if there was a large debit to profit and loss account. The decision of the Courts was that dividends may be declared out of current profits without making up past losses.

Mr. Mellors went on to refer to the economic position of the world, and said we found ourselves in the throes of industrial depression without parallel, and the question arose as to what were the causes peculiar to this country which had contributed to that state of affairs. There was the boom of 1919-20, which led to the idea that such conditions would continue indefinitely. Then came the reaction. The demand for goods, first in one industry, then in another, dwindled, and as a natural result the process of deflation commenced with its attendant fall in the price of commodities. The present stagnation of trade showed the real purchasing power of the world just as the artificial conditions three years ago concealed it. Over and above almost every other consideration at the present time was the necessity for re-establishing our trade and industries, and especially for concentrating upon every means for expanding export trade. He could assure the trading community that they as a profession would do all they could to help those who, with such a heavy handicap, were fighting their uphill battle.

Mr. W. CASH, F.C.A., proposed a vote of thanks to the President for his address.

Mr. S. P. DERBYSHIRE seconded the vote of thanks, which was carried unanimously, and the chairman briefly replied.

Paper on "Imperial and Local Finance."

After luncheon, by invitation of the Nottingham members, at the Victoria Station Hotel, the Conference was resumed at the Exchange Hall, where the first paper, "Some Notes on Imperial and Local Finance," was read by Mr. W. B. Keen, F.C.A.

Mr. KEEN said that at a time when the burden of taxation was in everyone's mind and economy was the order of the day, when in consequence of the war rates in some districts rose to the unprecedented height of 20s. to 30s. in the £, and even in one or two cases to a higher figure, and income tax to 6s., with super tax and corporation profits tax in addition, it was not inappropriate to consider the incidence of imperial and local taxation. The accounts of local authorities did not appear to him to present much difficulty, but imperial finance seemed to him full of mystery. The improvement in the account keeping of local authorities in the last thirty years or so had been very marked, and one wondered whether there had been similar improvement in Government methods. The published accounts of the principal boroughs were also models of excellence in their completeness, and the ease with which from them the state of the finances of the authority could be gleaned. Much was due to the municipal treasurers and accountants who were primarily responsible for their preparation and who had attained a high standing in this specialised branch of accountancy. He could not help thinking that the time had come when a change in the system of audit was desirable. Many of the principal local authorities had professional accountants who made a continuous audit of their accounts. Why in such cases should it be necessary for a Government auditor, often after nearly twelve months after the close of the year, to go over the same ground vouching all expenditure down even to petty cash payments, causing the utmost inconvenience and occupying a great amount of the time and attention of the financial officers, and delaying the writing up of the books of the authority. It surely should be sufficient in cases where there was a professional auditor for the function of the district auditor to be limited rather to that of an inspector, scrutinising the transactions from the point of view of their legality and reporting to the authority and to the Government Department concerned upon any illegal expenditure or any default on the part of the authority in carrying out its statutory duties. This, it seemed to him, was one of the matters that members of the Institute who found their way to Parliament might well direct their attention to with a view to legislation to that end.

Imperial and local taxation were nowadays very much interwoven, the assignment to local authorities of many quasi-national services leading to an increasing demand for a share of the national revenue, as distinguished from local revenue or rates, towards meeting the cost of such services. It had been generally considered that taxes were for national services and rates for local services, but many subjects were on the border and could with almost equal justice be put into either category.

Proceeding to deal with the income tax, he said that from their professional point of view the more complicated the tax probably the better for them. Nevertheless, the intricacy and difficulty to the taxpayer in dealing with it was much to be deplored, and it appeared to him a matter of regret that the Royal Commission which recently considered the matter at great length were unable to make recommendations which should really simplify the matter and remove many of the hardships incident to the tax.

Referring to the question of income tax, he thought there were still large evasions of tax by unscrupulous people, and on the other hand there were large overcharges which were never refunded, and what the balance might be between the two he did not know. In any case the tax had come to stay, and it was not for them to complain or throw obstacles in the way of the inspectors of taxes who, if their requirements were sometimes unreasonably exacting, were nevertheless carrying out their very difficult duties with a great deal of ability and were in the main accepting their figures as carrying the authority that they should in view of the high reputation of their profession.

Mr. R. N. CARTER, F.C.A., proposed a vote of thanks to Mr. Keen, which was seconded by Mr. R. RHODES, F.C.A.

The vote of thanks was carried by acclamation, to which Mr. Keen suitably replied.

The Accountant Director.

Mr. J. N. DERBYSHIRE, F.C.A. (Nottingham), read a paper on "Direction," which he observed was an attempt to trace the direction in which accountancy had developed, with special reference to the "direction of industrial undertakings by accountants." In other words, he wished to deal with the rise of the accountant director. The growth of industry and the necessity for accurate accounting by all traders, whether companies or private firms, had led to a great increase in the duties and responsibilities of the accountant, and whereas 40 years ago he was mainly occupied in "winding up insolvency," he was now principally engaged in "promoting and maintaining solvency." It must be remembered that accountancy was not self-contained. It did not and could not originate industry. In order to justify their existence accountants must give, and continue steadily to give, such service to the community as would warrant their being recognised as a real aid to industry. They must aim at promoting the common welfare. The present day trade association dealt with firms or businesses as entities, and endeavoured to safeguard them as such. There was great scope for the careful business man in that work, which was arduous and exacting but full of interest. Accountants had entered largely into it and, although not by any means claiming a monopoly, were responsible for many important organisations. Trade associations had been much criticised, but on the whole, Mr. Derbyshire urged, their action had been beneficial to industry. They had fostered the spirit of co-operation and goodwill amongst those engaged in a common trade.

Under the heading of "special work," a wide range of responsibilities might be included. Accountants acted now as negotiators in all sorts of difficulties—financial and otherwise—as between vendor and purchaser, or between firms proposing to amalgamate; their services were in constant demand. One of the most interesting developments had been the coal mining agreement, under which the accounts of every colliery were examined by accountants—one representing the employer and the other the employed. The proceeds were then apportioned between employers and employed, according to an agreed scale, and any disputes were referred to an

independent chairman, who was also an accountant. This was probably the largest co-operative scheme as between employer and employed which had ever been attempted, and its progress was being followed with keen interest.

EXECUTORS AND TRUSTEES.

Turning to the question of executorships and trusteeships under wills, Mr. Derbyshire remarked that there were certain points in favour of a corporation or Government official being selected for the position, but their work must necessarily become mechanical or bureaucratic. Probably no one knew more about his clients' business than an auditor. What more natural, then, that the accountant be appointed an executor.

The direction of industrial undertakings by accountants had increased considerably in recent years. His experience was of such a varied character that he could readily understand the difficulties which confronted the management, and could give sympathetic guidance and support to those who had the detailed responsibility. The tendency of modern times was for capital and management to be in different hands. In all such cases an outside director was usually required. He hoped he was not drawing too much on the imagination to believe that before very long there would be a trained accountant on the board of every large industrial concern.

Mr. Derbyshire dealt at some length with the duties of the accountant director, observing that the first essential requirement of a director was that he direct. That is, he must point out the way, and it must be the right way. He should not confine himself solely to accountancy subjects unless it had been so agreed. He must take his part in the general direction or become a mere passenger.

FARMERS AND SCHEDULE "D."

The paper concluded with an allusion to agriculture, and mentioned that the development of agricultural accounting, and especially cost accounting, has been extremely slow. There were several reasons for that. The paramount one was that our revenue system excluded farmers from taxation under Schedule D, and substituted an arbitrary assessment (Schedule B) based on the rent. There was an exception where the actual profit fell below the arbitrary figure. The result was that the married farmer, with two children, whose rent did not exceed £300, was not liable for income tax on his farming profits whatever their amount. Consequently he need not, and generally did not, trouble about a trading account and balance-sheet. That was bad for the State and bad for the farmer. Its ill effects were far-reaching. If all farmers were subject to Schedule D, and were compelled to produce trading accounts to Revenue Authorities, the State would know the real position of the industry. In times of stress like the present such knowledge would be invaluable. As one who was keenly interested in farming, he hoped that after due notice of, say, three years, the taxation laws would be so amended as to compel every farmer to furnish returns of his profits and losses. In course of time it would then be possible to see what progress or otherwise was being made.

Side by side with that he thought accountants could render great service to their country by studying cost accounting in relation to farming. It would call for great care and patience, and some knowledge of the industry. It might not be productive at first, but the ultimate results to all parties and especially to the farmers themselves would be of much value.

Sir A. LOWES DICKINSON proposed a vote of thanks to Mr. Derbyshire for his paper. He said there was a good deal of difference of opinion as to whether accountants who were in practice should also be directors. They could be very useful in that capacity, but it was essential that the two kinds of business, which in many ways were opposed, should be kept separate. Directing and auditing must not be mixed up. Where one member of a firm of accountants was a director no other member of the firm should have anything to do with the company, except perhaps as secretary. Sir A. Lowes Dickinson advocated the granting of greater power to those accountants who took positions under public companies. In the United States these men, who were called "chief accountants" here, were known as "controllers"—a term which he much preferred. The failure of many firms in this

country was due to the fact that their accountant did not receive the recognition that he ought to have.

Mr. W. J. WEST seconded the vote of thanks, which, having been carried, concluded the proceedings of the Conference.

Banquet.

In the evening a banquet was held at the Victoria Station Hotel, Mr. A. R. LEIVERS, Chairman of the Nottingham Society, presiding.

The toast of "The Mayor and Corporation" was proposed by Mr. C. J. PAIN and responded to by the MAYOR.

Sir ERNEST JARDINE, in submitting the toast of "The Institute," said there was no class of men in England capable of expressing an opinion that would be listened to so well as Chartered Accountants, upon whom a very serious responsibility rested at this critical time in the nation's affairs. I have not dwelt upon the continued progress you are making. You know it, you deserve it, and you will make that progress as long as you continue to deserve it. I am glad to see that you are working so well with the Incorporated Accountants, the President of which (Sir James Martin) is a very old friend of mine. It is a great pleasure to propose this toast and to have the opportunity of speaking to so many young men here—young men who are earning a very high character for honesty, thoroughness and ability. The tendency of every country was to become self contained and to supply its own needs, and every country, with the possible exception of the United States and ourselves, was working more cheaply than we were. England was producing less and consuming more than other countries, and the only end to this state of things was wholesale emigration or famine. Accountants were the only people who could bring the truth home and tell the country that it must consume less in luxury and produce more. He appealed to accountants to take a greater part in public life.

Mr. G. W. KNOX, who responded, said that when he first had the honour of replying to that toast 27 years ago the membership was 2,285, whereas last January it was 5,822, and the number of examinees had grown from 610 in 1895 to 2,297.

Mr. CASH proposed "The Legal Profession," to which His Honour Judge TURNER replied in a humorous speech; and Mr. J. W. WOODTHORPE gave "The Provincial Societies," Mr. H. A. PEPPER, of Birmingham, responding. Mr. J. P. HOUFRON, M.P., replied to the toast of "The Guests."

The following day the members made a motor tour of the Dukeries, and in the course of the drive inspected Newshead Abbey and Welbeck Abbey. At the latter place they lunched in the riding school, where they were welcomed by the Duke of Portland's agent, Mr. Warner Turner. In the evening the Mayor and Mayoress gave a reception at Nottingham Castle.

The closing day (Thursday) comprised visits to Southwell Cathedral and local industrial works. A luncheon was given at the Victoria Station Hotel, when Mr. Knox, on behalf of the visiting members, presented an antique silver salver to Mr. F. Pragnell in recognition of his secretarial work in connection with the meetings, and a silver cake basket for Mrs. Pragnell. Appreciative speeches of the hospitality displayed by the Nottingham Society were made.

Bank Officers' Guild.

At the Blackpool Bank Officers' Guild, Councillor John Potter, F.S.A.A., F.C.I.S., lectured on "Bankruptcy and Receiverships."

Mr. Potter made his subject very interesting, both to the younger members who are preparing for their examinations and to the older members, to whom expert knowledge on this matter is of great importance in the carrying out of their daily duties. The lecture was followed by a most instructive half hour of questions and answers, and, judging by the way in which the vote of thanks to the lecturer was carried, there was no doubt that everyone present appreciated the value of such an instructive evening.

REMUNERATION UNDER DEED OF INSPECTORSHIP.

In the Mayor's and City of London Court last month, before Judge Shewell Cooper, Mr. Oliver Sunderland, accountant, Dundee House, 15, Eastcheap, London, claimed £20 4s. 9d. against Mr. David Gold, wholesale confectioner, 49, King Edward Road, Hackney, London, under a Deed of Inspectorship dated February 20th, 1922, and against Mr. Joseph Gold, wholesale confectioner, 129, Victoria Park Road, Hackney, London, as guarantor. The amount claimed was for balance of account for a composition of 4s. in the £, and costs, charges and expenses of the inspector.

Mr. Graham Brooks appeared for the plaintiff, and Mr. Harper for Mr. Joseph Gold.

Mr. Brooks said that judgment had been given against both defendants, who were son and father, but Mr. Joseph Gold had obtained a new trial. Plaintiff was appointed as an inspector at a meeting of creditors of Mr. David Gold, when it was arranged that he would pay his creditors a composition of 4s. in the £, which was to be paid in three quarterly instalments. The debtor's father, Mr. Joseph Gold, guaranteed the payment of the composition, and an agreement was entered into by the plaintiff and defendants as well as the creditors, all of whom were wholesale confectioners, as shown by a report of proceedings at the time in the *Confectioners' Journal*, which was read to the Judge. Plaintiff was appointed as the inspector, and his remuneration was to be fixed by the committee of inspection, consisting of the principal creditors. Plaintiff had never been successful in getting the committee together to fix the amount of his remuneration. He had summoned meetings of the committee but they had never attended. Therefore the plaintiff now claimed what he said was a reasonable remuneration for his services.

Mr. Harper said that none of the creditors had ever executed the deed, nor had any of the members of the committee.

Mr. Richard Hay, plaintiff's manager, said he had charge of the matter. There was £17 1s. 9d. due to the plaintiff for his inspectorship, and £3 3s. which he had had to pay to the solicitors for their charges. Plaintiff charged 5 per cent. on the realisation and 5 per cent. on the distribution. The amount realised was £150, and that had been distributed. Plaintiff's charge was very low, as usually 10 per cent. was charged on the realisation and 10 per cent. on the outlays.

In cross-examination he said that there were fifteen creditors present at the meeting. Plaintiff had paid three dividends and there was £63 16s. 4d. in hand. The final dividend would absorb £57. They received in all £200. The total amount of indebtedness was £869. The assets were £149 net, and there was a deficiency of £720. Messrs. Darling & Taylor, solicitors, prepared the deed on plaintiff's instructions, for which £12 7s. 2d. was charged. He did not take the deed to the debtors and ask them to sign it without reading it over to them. It was explained to Mr. David Gold in great detail. He did not explain the document to the guarantor because he would know what he was undertaking. The creditors assented to the deed by an assenting form in writing. He did not remember Mr. Joseph Gold giving him £5 which was to pay for the expenses of inspectorship.

For the defence Mr. Joseph Gold said before the meeting of creditors he was asked to pay £5 which was to cover the cost of the expenses of the inspectorship, and he did that. He understood he was only guaranteeing the payment of the composition of 4s. in the £, and not the expenses of the inspectorship apart from the £5. The deed was never read over to him nor explained. He had never seen any bill of costs of Messrs. Darling & Taylor for £12 2s. 10d. He knew the majority of the creditors because they were all in the wholesale confectionery trade. He would never have guaranteed payment of the composition if he had known he was going to be charged £19 for distributing £173. The cheque of £5 which he gave was to cover all the costs and expenses. All the plaintiff had done was simply to receive the money and pay it over.

In cross-examination he said he was a business man, and had for many years been a wholesale manufacturing

confectioner. The plaintiff advertised in the *Confectioners' Journal* that he would protect everybody in the confectionery trade, and witness never understood there was to be a special fee for the plaintiff's expenses. When his son was in arrear in paying the composition a letter was sent to him (defendant) and then he "bucked up his son," who paid the instalments. He, like other confectioners, subscribed to the Confectioners' Association, and as he went to the plaintiff, who was connected with the Association, he thought there would be nothing more than the £5 to pay. He frequently asked the plaintiff how much he received for the payment of the composition by his son, but he never had any reply. The bargain was to pay the creditors and not the plaintiff.

Mr. Brooks said Mr. Taylor, the solicitor, had done a great deal of work for the £3 3s. which was charged in the plaintiff's account.

Judge Shewell Cooper said it did not seem to be excessive. He thought the defendant had ample opportunities of making a thorough investigation. Mr. Harper urged that the creditors ought to have sued the defendant and not the inspector. The plaintiff had no right to sue at all.

Judge Shewell Cooper in giving judgment said that no doubt the defendant was entitled to take advantage of having the claim strictly proved against him as it would have been proved against a debtor. He was quite satisfied that Mr. Joseph Gold knew what he was entering into perfectly well. He was a man of considerable business experience, and it was idle to suggest that he thought £5 would cover the cost of the inspectorship. He could not accept that for a moment. It was not an easy agreement to construe. At the same time he did not think plaintiff was entitled to remuneration until the committee had fixed it. He had no evidence in support of the assertion that the committee could not be got together. Rowntree & Co., Limited, were one of the creditors, and the London Confectionery Co., Limited, was another. It seemed a little odd that such people could not send a duly authorised representative to attend the meeting. Plaintiff could not succeed as to £19 10s. 7d. charged for remuneration. On the other hand plaintiff was entitled to the small balance of 14s. 2d., for which judgment would be given for the plaintiff with such costs as it carried.

ACTION FOR ACCOUNTANTS' CHARGES.

In the Mayor's and City of London Court on October 26th, before Judge Shewell Cooper, an action was brought by Messrs. Hunter, Jones, Halford & Co., Chartered Accountants and Auditors, 14 and 15, Water Lane, Ludgate Hill, London, against Mr. J. Billig, formerly a wholesale tinware dealer and now a dealer in gas mantles, to recover £30 19s. 9d. for professional services rendered in preparing trading accounts and balance-sheets for 1921 and 1922 for the Income Tax Commissioners, interviewing the inspector of taxes in support of appeal, &c.

Mr. Leslie Stamp appeared for the plaintiffs.

Mr. Cyril Richardson, one of the plaintiffs' clerks, said he had dealt with the matter throughout. In January he was approached by the defendant in regard to preparing his income tax returns. Nothing was said about the plaintiffs' charges. He carried out the work and prepared the two years accounts. The work took him roughly between fourteen and fifteen days, and then they sent in their account for their remuneration. Defendant wanted to claim a rebate of income tax from the Commissioners. Plaintiffs' charge was quite reasonable in every way. It was on the basis of £2 2s. a day for a seven hour day. His principal, Mr. Jones, had not charged for his supervision. He had to buy two ledgers.

Defendant said he made arrangements to pay £21. Plaintiffs' charges were too high.

Mr. Richardson said that was not so. Defendant agreed to pay the £21 and the balance when the work was completed. The accounts were not very straightforward. The defendant's stock list consisted of one line.

Defendant said he obtained no rebate from the Income Tax Commissioners.

Judge Shewell Cooper said that was not the plaintiffs' fault.

Defendant admitted that he "went broke," and was now selling gas mantles, at which he earned £2 to £3 a week in going from shop to shop.

Judgment was given for the plaintiffs for the full amount claimed with costs, the Judge observing that he could not accept the defendant's version.

Changes and Remobals.

Mr. S. C. Bishop, Incorporated Accountant, and Mr. D. V. Hayden, Incorporated Accountant, have entered into partnership, and will practise under the style of Bishop & Hayden, Incorporated Accountants, at 32, Prince of Wales Road, Norwich.

Messrs. Bowen, Evans & Mills announce that the partnership has been dissolved. Mr. G. Brinley Bowen, F.S.A.A., and Mr. Thomas Mills, F.S.A.A., will in future practise as Brinley Bowen & Mills, Incorporated Accountants, at 22, Wind Street, Swansea.

Mr. W. B. Fenton, Incorporated Accountant, has commenced public practice at 370, High Street, Smethwick.

Mr. C. L. Hamer, A.C.A., Incorporated Accountant, has been taken into partnership by Messrs. Chipchase & Wood, Chartered Accountants, of 125, Albert Road, Middlesbrough. The style of the new firm will be Chipchase, Wood & Co.

Mr. Walter Harrison, Incorporated Accountant, has removed to Yorkshire Penny Bank Chambers, 40, North Parade, Bradford.

Mr. Alec Henochsberg, Incorporated Accountant, has commenced public practice at 32, Gardiner Street, Durban, South Africa.

Mr. G. H. Ingham, Incorporated Accountant, has been taken into partnership by Messrs. Rushworth & Ingham, of 15, Kirkgate, Bradford. The style of the firm will remain unchanged.

Mr. J. T. Lowe, Incorporated Accountant, has commenced public practice at 12, Kent Street, Kendal.

Messrs. Middleton & Hawkins, Incorporated Accountants, have removed to Kingsbury House, King Street, St. James's, London, W.

Messrs. E. V. Nixon & Co., of Melbourne, Australia, have removed to Yorkshire House, 20/22, Queen Street.

Mr. Leonard M. Oakes, Incorporated Accountant, has commenced public practice at 308, Winchester House, Old Broad Street, London, E.C.

Messrs. Arthur E. Piggott, Son & Co., Incorporated Accountants, have opened a branch office at 57, Chestergate, Macclesfield.

Messrs. Scampton & Brown, 28, Market Street, Wigan, announce that they have taken into partnership Mr. S. T. Meadow, A.C.A., and that the business will in future be carried on under the style of Scampton, Brown & Meadow.

Professional Appointment.

Mr. G. M. Gibbs, Incorporated Accountant, has been appointed Borough Accountant of Reigate.

District Societies of Incorporated Accountants.

LIVERPOOL.

The Liverpool Society of Incorporated Accountants opened its winter session on September 27th. On the invitation of the President, Mr. Chas. Tunnington, a large number of members took tea with him at the Reform Club, after which Mr. Tunnington fostered a discussion amongst those present, his idea being that the younger and student members of the Society should be encouraged to express their views and seek advice on matters appertaining to the profession. Several members took part in the discussion, and a profitable and enjoyable evening was spent. It has been planned to hold several such informal gatherings, as well as lectures, during the winter months. Mr. Whitnall and Mr. Noon proposed and seconded a vote of thanks to the President for his hospitality, which was heartily endorsed.

MANCHESTER. ANNUAL MEETING.

The annual meeting of this Society was held on October 17th, when the annual report and accounts were passed and approved. Mr. Alfred Nixon, F.C.A., F.S.A.A., was re-elected President for the ensuing year, and Mr. Robert Heatley was re-elected Vice-President. The retiring members of the Committee, Mr. Joshua R. Atkins, Mr. James H. Lord, Mr. George A. Marriott and Mr. Frederic Walmsley were re-elected, while in place of Mr. James A. Clarkson and Mr. Walter Stott, who did not seek re-election, Mr. James Albert Hulme, A.S.A.A., and Mr. Halvor Piggott, A.S.A.A., were unanimously elected. Mr. Henry Astles (Edgar Oates & Co.) and Mr. George H. Handford, A.S.A.A. (Fred Hargreaves & Co.), were appointed Hon. Auditors for the ensuing year.

Report.

Your Committee have pleasure in presenting the report on the work of the Society for the year ended July 31st.

MEETINGS.

There have been three meetings of the Committee and ten meetings of the members. At the 36th annual meeting Mr. Alfred Nixon was elected President and Mr. Robert Heatley Vice-President. Nine meetings were held during the session.

MEMBERSHIP.

The total number of ordinary members is to date 126.

STUDENTS' SECTION.

The total number of student members is 54.

LIBRARY.

Mr. Stott has kindly acted as Hon. Librarian for sixteen years, and latterly, at considerable inconvenience to himself, has carried on the duties pending the appointment of his successor.

Your Committee and the members of the Society generally are much indebted to Mr. Stott, and desire to place on record their cordial appreciation of his services as Hon. Librarian.

An offer generously made by Messrs. George A. Marriott, Rogerson & Co. to provide accommodation for the library has been accepted, and Mr. Charles Ernest Rogerson, A.S.A.A., of No. 9, Albert Square, has been appointed Hon. Librarian.

An endeavour will be made to bring the library thoroughly up to date and extend its usefulness to both practitioners and students. Any suggestions from members as to books which should be placed in the library will be welcomed by the Librarian.

ANNUAL DINNER.

The annual dinner of the Society was held at the Midland Hotel on Thursday evening, February 22nd, and the resumption of this function secured the support of a large number of members and friends. The President, Mr. Alfred Nixon, occupied the chair, and among a distinguished

company of guests were the President of the Parent Society, Sir James Martin, J.P., F.S.A.A.; the Vice-President, Mr. George Stanhope Pitt, F.S.A.A.; the Secretary, Mr. A. A. Garrett, B.Sc.; the Right Hon. the Lord Mayor of Manchester, Councillor William Cundiff, J.P.; the President of the Manchester Law Society, Mr. Fred Osborne, Solicitor; the Vice-Chancellor of the Chancery of the County Palatine of Lancashire, Mr. Roger B. Lawrence, K.C.; the Dean of the Faculty of Commerce, Victoria University of Manchester, Professor G. W. Daniels, M.A., B.Com.; the President of the Manchester Chamber of Commerce, Mr. W. Clare Lees, O.B.E., J.P.; the President of the Manchester Society of Chartered Accountants, Mr. Tom Walton, F.C.A.

EXAMINATIONS.

The examinations of the Parent Society were held in Manchester on November 13th, 14th, 15th and 16th, 1922, and on May 14th, 15th, 16th and 17th, 1923.

Mr. Piggott, who was responsible for the arrangements, was assisted by the following members of the Society:—Mr. Joseph Ralph Atkins, Mr. John Eaves, Mr. William Eaves, Mr. Fred A. Fitton, Mr. G. H. Handford, Mr. Fred Hargreaves, Mr. A. Hayward, Mr. Robert Heatley, Mr. James A. Hulme, Mr. George A. Marriott, Mr. Norman McKellen, Mr. Alfred Nixon, Mr. Halvor Piggott, Mr. James E. Ramsdale, Mr. Charles E. Rogerson, Mr. Harold Salter, Mr. Joseph W. Shepherd, C.B.E., Mr. Thomas Silvey, Mr. Thomas W. Sowerbutts, Mr. Walter Stott, Mr. Joseph Turner and Mr. Frederic Walmsley.

FINANCES.

The Society's balance-sheet at July 31st, 1923, together with the revenue account, shows an increase in the income over that of the previous year, owing to a slight increase in membership and an improved grant from the Parent Society.

The revised scale of subscriptions, which has remained in force, has maintained the income at a very satisfactory level.

The balance-sheet shows the Society to be in a satisfactory financial position, which, if maintained and improved in succeeding years, will give it greater strength in safeguarding the general interests of the members and freedom to maintain and improve the benefits and facilities offered.

NEWCASTLE-UPON-TYNE.

The Newcastle-upon-Tyne and District Society of Incorporated Accountants and Auditors opened its session during last month with a lecture upon "The Auditor—his Legal Responsibilities." The lecturer was Mr. R. T. McCutcheon, F.S.A.A. He was at considerable pains to show what were the legal responsibilities of an auditor, and he reminded his hearers that negligence and carelessness on the part of an auditor might render him liable at law for any damages suffered by his principal. In illustration of this point Mr. McCutcheon quoted several cases in which auditors had been mulcted in damages because of their failure to discover frauds.

The lecture was presided over by Mr. William Hughes, F.S.A.A., Sunderland, and there was a good attendance of members.

Annual Report.

The Committee have pleasure in submitting the seventeenth report and statement of accounts to June 30th.

Your Committee desire to place on record a cordial expression of thanks to the gentlemen who have so kindly delivered lectures to the District Society during the year; to the authorities of Armstrong College, Newcastle-upon-Tyne, for kindly allowing the use of their lecture rooms; and to the Parent Society for a grant of £20 ls. 5d.

MEMBERSHIP.

During the year 36 new members were admitted and two resignations were received, making a total membership of 138 at June 30th, 1923, as compared with 104 at June 30th, 1922.

EXAMINATIONS.

The examinations held in November, 1922, and May, 1923, have resulted in the following passes:—Final, 8; Intermediate, 10.

LIBRARY.

Your Committee desire to draw the attention of members, especially student members, to the library, which now contains a number of up-to-date books.

LECTURES.

Nine lectures and meetings were held during the session at Armstrong College, Newcastle-upon-Tyne.

The District Society was officially represented at a Conference of District Societies, held in London on May 11th, by the Honorary Secretary.

The members of the Committee who retire at this time are Mr. M. Hutchinson, Mr. Wm. McKenzie and Mr. T. W. Scolllick. They are eligible, and offer themselves for re-election.

In accordance with rule 5, any nominations for election to the Committee must be signed by two members of the Society, and must be lodged with the Honorary Secretary at least fourteen clear days before the annual general meeting.

1923. Syllabus of Lectures.

- Oct. 24th. "The Auditor—his Legal Responsibilities," by Mr. R. T. McCutcheon, F.S.A.A., Glasgow.
 Nov. 8th. General Meeting.
 Nov. 21st. "The Foreign Exchanges," by Miss G. E. M. Jebb, M.A., Lecturer in Economics, Armstrong College, Newcastle.
 Dec. 5th. "Money," by Mr. T. Y. Walters, B.A., Newcastle.

1924.

- Jan. 10th. "Company Law," by Mr. Wm. Hanna, LL.B., Sunderland; at Sunderland.
 Jan. 23rd. "Progressive Taxation in Theory and Practice," by Mr. E. D. McCallum, M.A., Lecturer in Economics, Armstrong College, Newcastle.
 Feb. 6th. "Points of Interest in Auditing," by Mr. A. Bell, F.C.A., Newcastle.
 Feb. 21st. "Law of Partnership," by Mr. E. C. S. Wade, B.A., LL.B., Lecturer in Law, Armstrong College, Newcastle.
 Mar. 7th. "Examination Hints in Costing, Statistics and Economics," by Mr. E. Miles Taylor, F.C.A., London.
 Mar. 20th. "Points in Executorship Accounts," by Mr. J. M. S. Coates, A.C.A., Newcastle.

By kind permission of the authorities, the lectures will be given at Armstrong College, Newcastle-upon-Tyne, on the dates mentioned, at 7 p.m.

NORTH-WEST LANCASHIRE.

ANNUAL MEETING.

The annual general meeting of this Society was held on October 19th, 1923, at Preston; Mr. J. H. Ward, F.S.A.A., occupied the chair.

The report stated that five lectures were given during the past session, and that the attendances at these lectures had been fairly good.

The committee drew attention to the duty of the members in endeavouring to increase the membership and general usefulness of the Society. All Incorporated Accountants in the district and persons studying for the Society's examinations, not identified with the Society, were invited to become members.

OFFICERS.

The following were elected officers for the year 1923-1924:—
 President: Mr. J. Fearnhead, A.S.A.A. (Chorley). Vice-President: Mr. W. A. Davies, F.S.A.A. (Preston). Hon. Treasurer: Mr. J. Lucas, A.S.A.A. (Blackpool). Hon. Auditors: Mr. A. S. Oldman, A.S.A.A., A.C.A. (Fleetwood); Mr. H. A. Brown (Preston). Hon. Secretary: Mr. J. Wareing, A.S.A.A., 11, Chapel Street, Preston (Telephone 704). Committee: Mr. J. Potter, F.S.A.A. (Blackpool); Mr. J. H. Ward, F.S.A.A. (Preston); Mr. H. Cumming, A.S.A.A. (Preston); Mr. H. Howarth, A.S.A.A. (Preston); Mr. H. A. Brown (Preston).

A hearty vote of thanks was accorded to Mr. J. H. Ward, the retiring President, for his services during the past three years.

SHEFFIELD.

ANNUAL MEETING.

The annual meeting of this Society was held on October 19th, 1923, Mr. H. J. Allen, F.S.A.A., presiding.

The financial statement and report to August 31st, 1923, was duly approved and adopted, and the following officers were elected for the coming year:—President: Mr. H. J. Allen, F.S.A.A.; Vice-Presidents: Mr. C. H. Wells, F.S.A.A., Mr. C. A. Belbin, F.S.A.A.; Committee: Mr. D. Craig, F.S.A.A., Mr. E. R. Harrison, F.S.A.A., Mr. W. Foulston, F.S.A.A., Mr. L. Lewis, A.S.A.A., Mr. W. S. Newton, A.S.A.A., Mr. F. W. Green, A.S.A.A., Mr. J. W. Richardson, A.S.A.A., Mr. H. Toothill, F.S.A.A.

It was reported that owing to the number of student members in the district Society, a students' section had been formed for the purpose of assisting students in their studies, both by means of lectures and periodical meetings, and the following officers had been duly elected:—President: Mr. L. Lewis, A.S.A.A.; Committee: Mr. H. Jarrams, Mr. W. Taylor, Mr. P. C. J. Kirkman, Mr. J. Nadin; Hon. Secretary: Mr. J. W. Richardson, A.S.A.A.

The students' section is being carried on in conjunction with the local Society, and not as a separate organisation. Arrangements are now being made for a series of revision classes being held for the May examination of the Society. A number of new students were admitted at the annual meeting, and it is hoped that the steps taken will prove of advantage to the students.

1923. Syllabus of Lectures.

- Nov. 8th. "The Auditor—his Legal Responsibilities," by Mr. R. T. McCutcheon, F.S.A.A.
 Dec. 5th. "The Principles of Finance," by Mr. A. Lester Boddington, F.S.S., London.

1924.

- Jan. 23rd. "Dispersion and Skewness," by Mr. A. P. Bardell, A.S.A.A., Birmingham.
 Feb. 6th. "Some Notes on Costing," by Mr. W. Claridge, M.A., F.S.A.A., Bradford.
 Feb. 27th. Joint Debate with the Nottingham and District Society of Incorporated Accountants.

The lectures will be given at the Incorporated Law Society's Rooms, Bank Street, Sheffield, on the dates named, at 7 p.m. punctually.

STUDENTS' SECTION.

Arrangements are being made for a series of revision classes for the May examinations, being held during March and April, and particulars of these will be announced later.

WEST OF ENGLAND.

Syllabus of Lectures.

1923.
 Oct. 22nd. "Company Law," by Mr. W. S. Scammell, LL.B., M.C., Solicitor, Bristol.
 Nov. 5th. Economics—Revision Lecture I, by Mr. H. Phillips, B.A., Bristol University.
 Nov. 19th. Statistics—Revision Lecture I, by Mr. H. Phillips, B.A., Bristol University.
 Dec. 3rd. Students' Night.
 1924.
 Jan. 7th. "Income Tax," by Mr. C. W. Legge, Incorporated Accountant, London.
 Jan. 21st. "Banking," by Mr. H. G. Treasure, Bristol.
 Feb. 4th. Economics—Revision Lecture II, by Mr. H. Phillips, B.A., Bristol University.
 Feb. 18th. Statistics—Revision Lecture II, by Mr. H. Phillips, B.A., Bristol University.

The lectures will be given at the Royal Hotel, College Green, Bristol, on the dates named, at 6 p.m. promptly.

Note.—The lectures by Mr. H. Phillips, B.A., will be a review of the questions in Economics and Statistics set in the May and November, 1923, Examinations.

YORKSHIRE.

The second meeting of the session was held at Leeds on October 25th, when a joint discussion with the members of the Bradford District Society of Incorporated Accountants took place on a selection of the May, 1923, examination questions.

A good number of student members attended and took an active part in the discussion, which terminated with a vote of thanks to the speakers.

Syllabus of Lectures.

- 1923.
- Oct. 16th. "Cost Accounts," by Mr. E. Miles Taylor, F.C.A., London; at Leeds.
- Oct. 25th. Joint Discussion on the "May Examinations Questions, 1923," with the Bradford District Society; at Leeds.
- Nov. 6th. "The Auditor—his Legal Responsibilities," by Mr. R. T. McCutcheon, F.S.A.A., Glasgow; at Leeds.
- Nov. 27th. "Sixty Years of Company Registration," by Mr. Herbert W. Jordan, London; at Leeds.
- Dec. 4th. "Deeds of Arrangement," by Mr. Wilfred H. Grainger, A.S.A.A., London; at Leeds.
- Dec. 11th. Open date.
- Dec. 17th. Joint Meeting with the Bradford District Society dealing with Mock Meeting "Arbitration Case"; at Bradford.
- 1924.
- Jan. 15th. "Income Tax," by Mr. H. W. L. Reddish, A.C.A.; at Leeds.
- Feb. 5th. Lecture by Mr. A. Lester Boddington, F.S.S., London; at Leeds.
- Feb. 18th. Joint Discussion on the "November Examination Questions, 1923," with the Bradford District Society; at Bradford.
- Mar. 11th. Joint Discussion on "Income Tax Appeals" with the Bradford District Society; at Leeds.
- April 8th. "Executorship Law and the Law of Property Act," by Dr. D. F. de l'Hoste Ranking, M.A., London; at Leeds.

All meetings commence at 7.15 p.m.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Meeting of Scottish Council.

An adjourned meeting of the Council of the Scottish Institute of Accountants (the Scottish Branch of the Society) was held in Glasgow on September 28th. There were present Mr. D. Hill Jack, President, Mr. J. Stewart Seggie, C.A., Dr. John Bell, Mr. R. T. Dunlop, Mr. Wm. Houston, Mr. J. Cradock Walker, Mr. W. Davidson Hall, Mr. Arthur Batty and Mr. James Paterson, Secretary. Several apologies for absence were intimated. The revised by-laws were considered, and representations made to the London Council thereanent.

Glasgow Students' Society.

A meeting of the Committee of the Glasgow Incorporated Accountants' Students' Society was held on the 17th ult. Mr. J. Tannett Mackenzie presided. Arrangements were made for lectures for the ensuing session. Mr. R. T. McCutcheon, F.S.A.A. (Glasgow), has been appointed joint honorary Secretary, to act with Mr. James Paterson, the Secretary of the Scottish Branch, who has acted in that capacity for the past sixteen years.

The Business Side of the Municipality.

On the 18th ult. an address was delivered on this subject to the Edinburgh Rotary Club by Mr. Robert Paton, City Chamberlain of Edinburgh. Mr. Paton described in broad

outline the principal public services which were provided, how they were organised, and what they cost. In referring to housing Mr. Paton mentioned that in Edinburgh it took at present about £15,000 a year out of the rates and £50,000 out of the Imperial Exchequer to meet the difference between the cost of providing and maintaining the houses and the rents received for them—and the end was not yet. Apart from the services provided out of the rates were the services and commodities supplied by the trading undertakings, namely, tramways, electricity, gas and water. Mr. Paton said he would not go into the ethics of municipal trading. The principal *raison d'être* of these trading undertakings was that they provided their services and sold their products at cost price to the consumers, the consumers being mostly the citizens themselves. At present the capital invested in the municipal business amounted to between £9,000,000 and £10,000,000. This had been borrowed from 12,000 lenders. The management of this debt was a great responsibility. The total annual expenditure was £3,500,000. To the extent of £2,000,000 the revenue was found by consumers of the commodities provided. Of the balance nearly £500,000 was met out of Government grants and other local revenues. The balance of £1,000,000 had to be found by the Town Council out of rates levied by them. If they added the other local rates—poor, lunacy and education—it would be found that £2,000,000 sterling had to be paid by the ratepayers of Edinburgh. Whether that was to be looked upon as an achievement or a tragedy it was not for him to say. It was said that the local government of this country was the envy of all other countries for efficiency and purity, and Edinburgh was no exception to the general rule.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1923) 2 K.B.:

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.R., *Scottish Law Reporter*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*.

The other abbreviations used in modern reports are A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; P., President of Probate, Divorce and Admiralty.]

EXECUTORSHIP LAW, AND TRUSTS.

Re Sir Joseph Beecham.

Direction out of Residue to pay Funeral and Testamentary Expenses and Debts and Duties in exoneration of every other part of my Estate, includes future as well as present duties.

By his will the testator, Sir Joseph Beecham, after providing for his children and giving certain legacies and annuities, devised and bequeathed all his residuary estate to the trustees of that his will upon trust to convert and pay out of the proceeds his funeral and testamentary expenses and debts and all death duties payable under that his will in exoneration of every other part of his estate.

In the course of administration, Sir Thomas Beecham and Henry Beecham agreed with the trustees to purchase the residue for a certain sum and to indemnify the trustees and all others against the payment of all duties which should be held on the true construction of clause 26 of the will (in which were contained the words "in exoneration of every other part of my estate") to be payable thereunder. The trustees now took out a summons asking whether upon the

true construction of the testator's will and the said agreement the defendants Sir Thomas Beecham and Henry Beecham were under liability to pay or provide any death duties which may hereafter become payable in consequence of the dispositions made by the said will.

Eve (J.) held that although *prima facie* the meaning of such a clause would confine the duties payable thereunder to those which became payable at the time of the testator's decease, the words there were too wide to admit of such a construction, and accordingly that all future duties were payable under it as well as present duties. His Lordship said that there would be a declaration that the purchasers under the said agreement were liable for the payment of all such duties.

(Ch.; (1923) 58 L.J.N., 415.)

REVENUE.

Investors' Mortgage Security Company v. Inland Revenue.

An Investment Company is not entitled to Exemption from Liability to pay Corporation Profits Tax in respect of Dividends received from Public Utility Companies in which it owns no controlling interest.

The Finance Act, 1920, sect. 52 (2) exempts the profits of public utility companies from liability to assessment for corporation profits tax between January 1st, 1920, and December 31st, 1922, and by sect. 53 (2) it excludes from "profits" for the purpose of corporation profits tax dividends received from a company liable to be assessed to corporation profits tax in respect thereof. The Finance Act, 1921, sect. 58 (1) enacts that where a company owns a controlling interest in a public utility company any profits derived by the company from the public utility company between July 1st, 1920, and December 31st, 1922, shall be excluded from the profits chargeable with corporation profits tax.

The First Division, Court of Session (Scotland), held that an investment company was not entitled to exemption from liability to pay corporation profits tax in respect of (1) dividends received by it from public utility companies in which it owned a controlling interest, or (2) dividends received by it from companies owning a controlling interest in public utility companies.

(Exchequer Cause; (1923) S.C., 727.)

MISCELLANEOUS.

Koenigsblatt v. Sweet.

A Memorandum in writing required by the Statute of Frauds to be signed by the party to be charged is not invalidated by an unauthorised alteration thereof if subsequently ratified.

On July 14th, 1921, the solicitors of the plaintiff and the defendant attended to exchange duplicate parts of a contract for the sale of two houses by the defendant to the plaintiff and his wife. The part signed by the plaintiff contained his name only as the purchaser. Without authority the defendant's solicitor struck out the name of the plaintiff's wife in the part signed by the defendant, who afterwards ratified his action and instructed him to proceed with the contract. The title was accepted and a draft assignment prepared and approved by the defendant's solicitor. On July 26th, 1921, the defendant's solicitor wrote to plaintiff's solicitor as follows: "Herewith replies to requisitions I understood that vacant possession could be given and the contract was drawn accordingly. The vendors now state that vacant possession cannot be given, and further that the purchaser does not expect or require it." The defendant refused to complete, and in an action for specific performance he pleaded the Statute of Frauds.

It was held by the Court of Appeal, affirming the decision of Russell (J) that the ratification related back to the time when the acts were done, and that on July 14th it was as if defendant's solicitor had in his possession a document with alterations, signed by the defendant after they were made and with authority to hand it over as part of an operative agreement in return for a similar document signed by the

plaintiff; and that the Statute of Frauds raised no difficulty, as the plaintiff was suing on an agreement signed by the parties.

Per Russell (J.) the letter of July 26th signed by the defendant's solicitor was a sufficient memorandum to satisfy the statute, because he had express instructions to carry out the contract and therefore authority to affirm on behalf of his client the contract he was instructed to carry out.

(C.A.; (1923) 2 Ch., 314.)

Rowland v. Divall.

There is an implied condition that a Vendor has a Right to Sell and on a total failure of consideration the Buyer has the Right to recover back the price.

The plaintiff bought a motor car from the defendant and used it for several months. It then appeared that the defendant had no title to it, and the plaintiff was compelled to surrender it to the true owner. The plaintiff sued the defendant to recover back the purchase money that he had paid, as on a total failure of consideration.

It was held by the Court of Appeal that notwithstanding that he had had the use of the car the consideration had totally failed, and he was entitled to get the purchase money back. The use of the car that he had had was no part of the consideration that he had contracted for, which was the property in and lawful possession of the car, whereas what he got was an unlawful possession which exposed him to the risk of an action at the suit of a true owner.

(C.A.; (1923) 2 K.B., 500.)

Rothschild v. Administrator of Austrian Property.

The effect of acquiring a New Nationality by a National of former Austrian Empire.

E. Rothschild, of Vienna, sought a declaration that no part of his property within the United Kingdom was subject to or charged by the Treaty of Peace of St. Germain or the Treaty of Peace (Austrian Order, 1920) and for an injunction restraining the defendant from selling or disposing of any part of such property. The plaintiff was born in Vienna in March, 1884, and down to July 7th, 1920, he remained a subject of the Austrian Monarchy, but he alleged that on July 15th, 1920, he became a citizen of the Czecho-Slovak Republic and ceased to be an Austrian national. He admitted that he could not claim to be included in any class of persons specifically excepted by Article 249 (b), but he based his case on Article 230, by which Austria undertook to recognise any new nationality acquired by her nationals under the laws of the Allied or Associated Powers. The defence was that plaintiff had not in accordance with the Treaty acquired nationality of an Allied or Associated Power as defined by the Treaty.

Eve (J.) said that the charge from which the plaintiff claimed to be exempted was imposed by Article 249 (b), and the question was whether the plaintiff had acquired a new and had abandoned his old nationality. He based his whole case on Article 230 of the Treaty, by which Austria undertook to recognise any new nationality acquired by her nationals, and he contended that he had in fact acquired a new nationality and abandoned his Austrian nationality. But Article 230 was never intended to have any effect on questions of nationality or the rights of the Allied Powers over enemy property under their control, but was framed solely to regulate commercial relations between Austrian nationals and the nationals of the Allied Powers, and the concluding words of the Article by which Austria undertook to regard such persons as having severed their allegiance to their country of origin were inserted to obviate the difficulty presented by the fact that under Austrian law a new nationality did not determine Austrian nationality without a change of residence. Accordingly, even if the plaintiff did, on July 15th, 1920, acquire Czecho-Slovakian nationality he still remained a member of the class defined in paragraph 1 of Article 249 (b), and not being able to bring himself within the express exceptions of paragraph 3 he could not escape the operation of the charge from which by this action he claimed to be exempted.

(Ch.; (1923) 58 L.J.N., 415.)